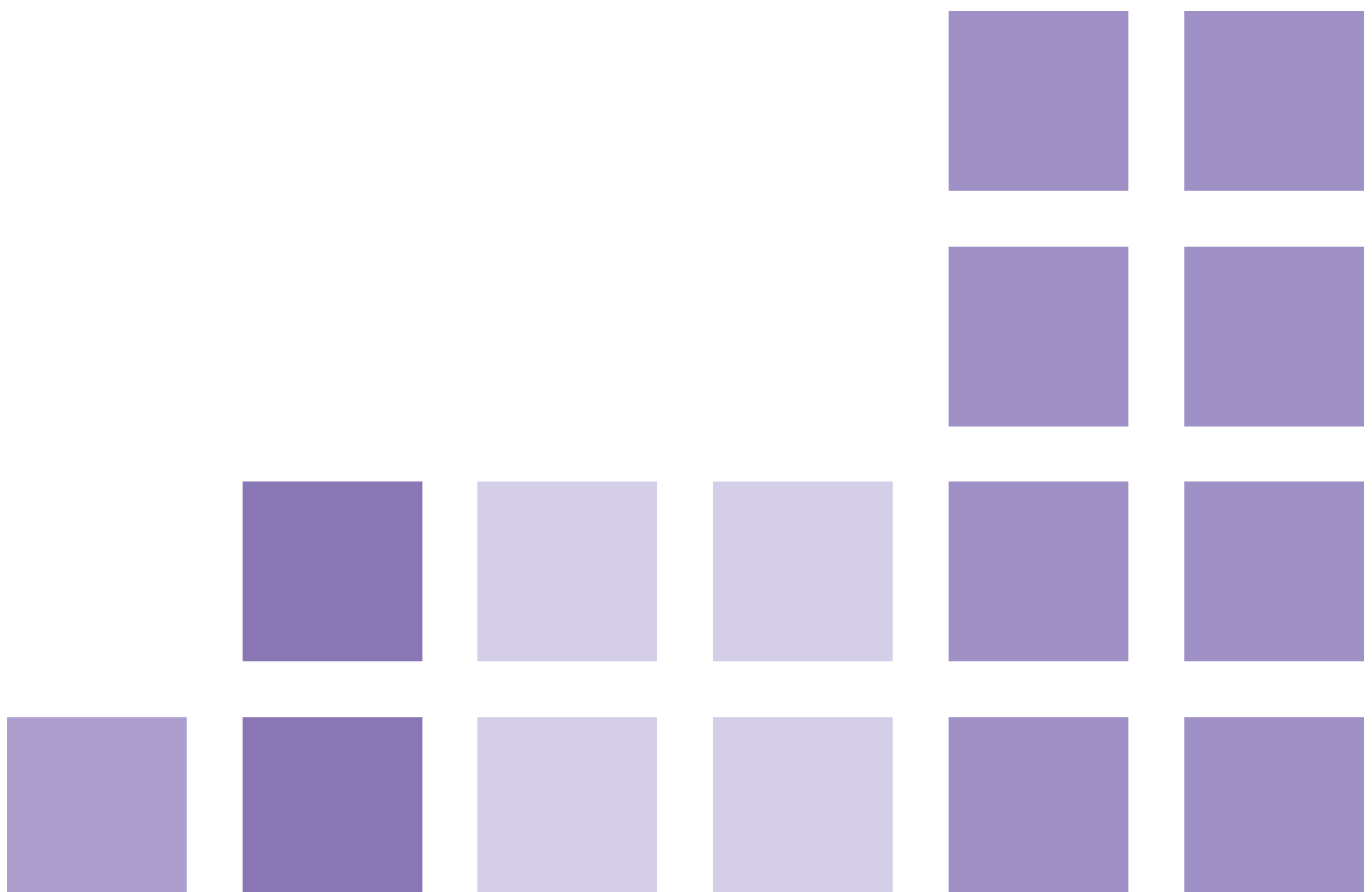




# Tackling Exclusion

A scoping study into the employment and skills outcomes for people in or at risk of social exclusion

June 2010



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# Foreword

The UK Commission for Employment and Skills advises Governments on the strategies needed to achieve our ambition to be amongst the very best nations for skills, jobs and productivity. This is vital to our economic recovery; and it also supports the participation of citizens, enabling people to realise their ambitions and potential.

The new Coalition Government has stated its commitment to improving the quality of life of people living with multiple disadvantage. This scoping study offers pointers to how these ambitions might best be pursued in relation to people facing (or at risk of) social exclusion. Whilst evidence is still patchy, some learning points emerge.

For people to achieve sustainable employment, they need flexible support with their careers – access to skills and qualifications, not job entry alone. It is those without skills and qualifications whose employment rates are declining most rapidly. They also need services that have high expectations of them: this study found some agencies did not believe employment and skills were suitable goals for their clients, or placed them on courses below their ability level. If services do not engender aspiration, it is more difficult for individuals to plan their way out of their immediate predicament.

The study highlights examples of programmes delivering positive outcomes for people with challenges such as homelessness, disability, substance misuse or a criminal record. The critical question is which incentives will encourage positive outcomes to become more widespread. Currently incentives are not aligned between the skills and employment systems, there is inconsistent tracking of the experiences of people with specific challenges and analysis of inequalities is sometimes marginalised.

There is also a need to incentivise moving resources towards cost-effective employment and skills interventions: although this can create net public sector savings, the change is often not pursued because the savings would accrue to the budget of a different part of the system.

We hope this report will generate discussion and provide a new impetus to enhance the evidence base and the incentives that could drive improvements both in our economy and in people's lives.



Liz Sayce

Chief Executive, RADAR  
Commissioner, UK Commission for Employment and Skills

# Introduction and summary

The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Its ambition is to benefit individuals, employers, government and society by providing independent advice to the highest levels of the UK Government and Devolved Administrations on how improved employment and skills systems can help the UK become a world-class leader in productivity, in employment and having a fair and inclusive society.

This is clearly defined in the three strategic priorities the UK Commission has adopted for the period 2009-14 in its five-year strategic plan:

- **Strategic Priority One:** Building a more strategic, agile and demand-led employment and skills system.
- **Strategic Priority Two:** Maximising individual opportunity for skills and sustainable employment.
- **Strategic Priority Three:** Increasing employer ambition, engagement and investment in skills.

To achieve these outcomes, specifically under Strategic Priority Two, *Maximising individual opportunity for skills and sustainable employment*, the UK Commission has undertaken this scoping study to look into employment and skills outcomes for people in or at risk of social exclusion. The *Tackling Exclusion* study aims to answer three questions:

1. What are the employment and skills outcomes for the most excluded?
2. Does the current performance management and funding framework incentivise providers to work with the hardest to help?
3. Which models of delivery will improve outcomes for this group?

## What are the employment and skills outcomes?

We first aimed to use existing evidence to establish the employment and skills outcomes of the most excluded<sup>1</sup> and see how they've changed over time. However, there are some limitations to this evidence base which influenced our conclusions.

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<sup>1</sup> Social exclusion is a term used to describe a wide range of groups facing disadvantage that makes it difficult to participate and engage fully in society. It is often characterised by factors such as low skills, poor health, increased likelihood of being a victim of crime, poor housing etc.

Firstly, some characteristics are easily picked up in the various surveys used to gather evidence on policy, such as parent status, qualification level, health status etc. However, other characteristics, such as having a criminal record or difficulties with substance abuse, are less likely to be picked up, due to stigma for example. This means identifying the outcomes for some groups is fraught with difficulties. As a consequence the evidence for some groups is available only through one-off studies and therefore measuring changes over time is extremely challenging.

Secondly, the measurement of performance of the employment and skills system is not geared directly towards socially excluded groups<sup>2</sup>, with a few exceptions, including the DWP's Public Service Agreement (PSA) target groups, and so the evidence on the impact of employment and skills policy on outcomes for socially excluded groups is scarce, especially when measured over time. This issue is examined in detail in the second chapter.

There is a clear need for better evidence – the current evidence is not comprehensive enough to make a full national assessment let alone look at the contribution of individual providers. This is especially the case for measuring change over time as many of the employment and skills outcomes noted in this paper are sourced from one-off studies.

However, from what evidence there is we can see that the employment and skills outcomes for a variety of groups have improved over recent years. For example, the proportion of people with poor basic skills<sup>3</sup> has fallen across all four nations of the UK, although differences remain between nations with Northern Ireland reporting higher figures than England, Scotland and Wales. Within the socially excluded cohort we know that ex-offenders and those with mental health disabilities suffer particular issues, but for disabled people as a whole qualification levels have improved. Furthermore, the employment rates of various groups have increased and gaps between these groups and the rest of the population have narrowed – this is particularly the case for lone parents and the over 50s. However, some groups, particularly those with learning disabilities and some ethnic groups have not progressed as much as others.

## Does the system incentivise working with the hardest to help?

It is important to make the point that drawing conclusions as to whether the system incentivises working with socially excluded groups is not the same as concluding whether providers actually do work with socially excluded groups. There are numerous example of excellent provider work in this area; this report asks whether and to what extent the system incentivises this kind of activity.

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<sup>2</sup> The DWP's PSA target groups are lone parents, the over 50s, disabled people, ethnic minorities, the lowest qualified and those living in the most deprived neighbourhoods.

<sup>3</sup> Having no qualifications is used as a proxy indicator for poor basic skills in this study.

The key issues here are those of ‘creaming’ and ‘parking’ – the notion that providers have more incentive to work with those clients that are easiest to help (creaming) and little incentive to spend time or resource on those that are more difficult (parking). There are a variety of ways in which the employment and skills system attempts to mitigate creaming and parking. These include risk-adjusted (or differential) pricing, removing choice from providers and performance management factors such as targets and equalities strategies.

The evidence suggests that these mechanisms may not be sufficient to remove the incentive to cream and park and that the funding and targets system encourages providers to be risk averse and work with the easiest to help. Analysis here shows some key differences between employment and skills policy, for example differential pricing is used in skills more than in employment but its effect is limited, although plans are afoot for an ‘accelerator’ model<sup>4</sup> of payments in employment policy. Secondly, employment policy has specific targets for different groups and the aim of narrowing the gap between them. While UK skills policy has no such comparison in terms of targets, there are examples of monitoring the take-up of different groups<sup>5</sup> but again these are limited. In employment policy, providers have less choice over who they take on and so the risk of creaming is diminished somewhat; in skills policy, providers or courses must be over-subscribed in order to cream-skim. Both employment and skills policy include commitments to equalities defined by race, gender and disability. However, these do not necessarily include socially excluded groups and can sometimes be a secondary priority when the drive is for overall performance.

The lack of full recognition of the extra costs of delivering to socially excluded groups means that not only are the resources not available to providers but also that savings in other service areas are not recognised and are therefore not achieved. For example, provision of homeless hostels and adult social care is very expensive and so any savings that result from reduced reliance on these services because of improved employment chances may more than offset the resources that go into achieving the employment outcome and therefore achieve a net saving in public expenditure. For example, the Off the Streets and Into Work case study in Chapter 3 cites evidence that estimates that the cost of a year spent in hostel accommodation for a single man may reach about £30,000 while the nominal figures per participant in the Flexible New Deal is £1,530.

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<sup>4</sup> The accelerator model increases payments to providers the more people they get into work.

<sup>5</sup> For example, the Scottish Funding Council recently produced *Scottish Participation in Further and Higher Education 2003-04 to 2007-08* which monitors the participation of different groups, including those from deprived areas, in higher education (HE) and further education (FE) over time. In England the Learning and Skills Council (LSC)/Skills Funding Agency (SFA) produce annual monitoring information on learners around gender, ethnicity and disability.

If a system can be developed that minimises deadweight and can accurately measure impacts on employment and skills outcomes along with other outcomes such as reduced re-offending, reduced use of adult day-care services or reduced use of homeless hostels, then this would allow significant resources to be shifted towards employment and skills while achieving an overall reduction in public spending. However, the management of funding across various policy areas does not easily allow for this kind of cross-working. For example, local authorities are responsible for the 'Supporting People' budget which delivers homelessness services. But in order for them to invest in the employment and skills provision that would reduce the need for homeless services they must be allowed to keep the savings that follow – currently they cannot.

## What are the appropriate models of delivery?

Finally we looked at four case studies of organisations delivering specifically to socially excluded groups. From these case studies, and other research, it is clear that there is already a wide variety of organisations including FE colleges, welfare-to-work providers, local authorities, third sector organisations and others who are working successfully with socially excluded groups, and these case studies exemplify some of this work.

The case studies highlight certain common characteristics for success. These include having high expectations and ambitions for clients, a flexible and personalised approach and 'rolling' programmes that begin and end according to the client's needs. Many of these success factors have already been identified and adopted in mainstream policy; for example, a personalised approach is one of the major principles of the recent welfare reforms such as the Flexible New Deal and the forthcoming Work Programme.

So, if all of these case study organisations are working successfully with disadvantaged groups to achieve employment and/or skills outcomes, this raises the question, what's the problem? The answer is that despite their success, which is achieved cost-effectively, the case study research reported a number of common problems with delivering services to socially excluded groups. These include:

- **Lack of recognition of the costs of delivery** – Despite the presence of differential pricing in some parts of the employment and skills system, the extra costs of delivering to socially excluded groups are not recognised sufficiently in employment and skills funding policy which, with a few exceptions, tends to be driven by uniform payments per learner or job outcome. This increases the risk of creaming and parking.
- **Short-term funding** – In all cases, funds were time-limited – in many cases, very short term (two to three years).

- **Resource intensive bidding for multiple funding streams** – Significant amounts of time and effort go in to constantly bidding and competing for funding. This resource would be far better spent on delivering the services to individuals. In most cases the complete offer to the individual was only possible with multiple funding streams, each of which has different rules, timetables and procedures. Time spent on bidding for these strands of funding means less time to devote to front-line services.
- **Staff turnover** – The preponderance of short-term funding means that it is difficult to hold on to staff.
- **Restrictive payment mechanisms** – In some cases payments were slow and processes were cumbersome and inflexible.
- **Rewarding performance** – Funding and targets mechanisms tend to incentivise an exact delivery level with little incentive to go beyond this.
- **Sharing information** – There are numerous restrictions to sharing information about individuals, which means that providers find it difficult to collaborate on individual cases.
- **Differing targets and procedures** – Local partners often work well together well but are hindered by differing target systems and procedures. For example, those who manage adult social care or housing budgets have to meet their own targets and concerns around employment and skills may be secondary.
- **Lack of matching timetables** – In order for individuals to be offered a cohesive service, i.e. receive their employment and skills support alongside other assistance such as housing and health. Start and end dates need to match so there are no gaps or long waiting times for services.
- **Differing attitudes and expectations** – In some cases these providers have been hampered by partners in other service areas, such as housing and health, who do not agree that an employment or skills intervention is appropriate for their clients.

In conclusion, the evidence base for measuring the outcomes for socially excluded groups is not sufficient. The current targets and funding methods are limited in their attempts to mitigate the risks of creaming and parking and so the risks remain. In particular, funding methods neither recognise the full extra costs of delivering these services nor the potential benefits in terms of savings in other service areas. The organisations that do deliver these services face numerous barriers to delivering.



# 1. Employment and skills outcomes for people in or at risk of exclusion

## Introduction

This chapter presents findings from existing research and evidence on employment and skills outcomes for people in or at risk of social exclusion. The Tackling Exclusion study focuses on the following targeted groups who are particularly vulnerable to multiple forms of disadvantage:

- People with a health difficulty/disability and/or learning disabilities.
- People with mental health disabilities.
- Ex-offenders.
- Homeless people.
- Recent migrants and different ethnic groups.

Social exclusion is a term used to describe a wide range of groups facing disadvantage that makes it difficult to participate and engage fully in society. It is often characterised by the following factors:

- Low or no skills.
- Economic inactivity/erratic employment history.
- Difficult family circumstances/background.
- Poor health and/or disability.
- Deprived neighbourhood/poor housing.
- Cultural and/or linguistic barriers.
- History of substance misuse.
- Contact with the criminal justice system.

Those at risk of social exclusion normally suffer from multiple forms of disadvantage. The factors identified above are not mutually exclusive and individuals can fall victim to any number of them in combination.

## Evidence and limitations

The purpose of this chapter is to gather existing evidence on the employment and skills outcomes for socially excluded groups or those at risk of social exclusion. However, there are limitations associated with this kind of evidence.

First, evidence on socially excluded groups tends to be difficult to gather due to the issues surrounding ‘observed’ and ‘unobserved’ characteristics. The evidence used to gather the impacts of policy interventions on employment and skills outcomes generally relies on surveys of individuals. These surveys, such as the Labour Force Survey, gather the employment and skills outcomes along with demographic and personal characteristics such as gender, parent status and qualification level – these are examples of ‘observed’ characteristics. However, in many cases the information associated with social exclusion is not gathered because the appropriate questions are not asked or individuals are less likely to declare certain information due to stigma. The latter is particularly the case for criminal records or substance/alcohol abuse difficulties. These are examples of ‘unobserved’ characteristics. This is important for the evidence base as many of these unobserved characteristics are associated with social exclusion. Furthermore, the nature of some socially excluded groups, particularly those with chaotic lifestyles, means that they are less likely to be available to be surveyed.

Second, policy in the UK has not specifically targeted and therefore measured performance against the outcomes of socially excluded groups directly, particularly in the case of skills. For example, skills policy in England has followed the logic that socially excluded people are most at risk from low levels of basic skills and so has set targets for achievements of basic skills as opposed to directly measuring the improvement in skills of socially excluded groups (or groups at risk of social exclusion). By contrast, employment policy has set employment rate targets for those groups deemed most at risk; these include lone parents, disabled people, ethnic minorities, the 15 per cent lowest qualified, people aged over 50 and those living in deprived areas. While this list of groups is not comprehensive, for example homelessness is not included, they are at least groups for whom we can measure employment outcomes. (The problems with observed versus unobserved characteristics surfaces here too.) There are other examples of good practice in measuring the outcomes for socially excluded groups. For example, the Scottish Funding Council has produced research into participation in HE and FE and included within this an analysis of take-up by learners from deprived areas.

The outcome of this is that the measurement of performance of the employment and skills system is not geared directly towards socially excluded groups, with the exception of the DWP’s PSA 8 groups (those listed in the previous paragraph), and so the evidence on the impact of employment and skills policy on outcomes for socially excluded groups is scarce, especially when measured over time. In some cases the current suite of PSA targets treats the most excluded separately

from the mainstream, for example PSA 16 which targets the employment outcomes of a small number of disadvantaged groups. Furthermore, the existing evidence tends to delineate groups by just one characteristic (lone parent, disabled etc) when in fact individuals often fall into more than one of these categories. There is a clear need for better evidence. A major weakness is the lack of an ongoing survey that measures basic skills across the whole of the UK, as the recent National Skills Forum report identified:

*‘The Inquiry identified the need for further analysis of skills and employment data, and for this data to be disaggregated and differentiated, in order to better monitor the disparities across all groups in society. However, the collection of data should not be seen as an end in itself, but should be analysed and effectively used to develop more targeted strategies.’*

## General findings

### Skills

The 2005 National Adult Learning Survey (NALS) found that learning was strongly associated with socio-economic characteristics such as income, years in continuous full-time education, occupational class and highest qualification, reaffirming the link between learning and employment. The survey found that older respondents who were receiving means-tested benefits, were less likely to be learners than those who were not on means-tested benefits (66 per cent, 84 per cent).

Skills development is key to helping excluded groups get into work and progress. Research by Bynner. J and Parsons. S<sup>6</sup> finds that:

*‘major economic disadvantage, poor psychological well being and lack of civic participation were concentrated among those with Entry Level 2 or below skills, pointing to a syndrome of attributes identified with social exclusion that includes poor basic skills.’*

Their research suggests that policy makers should focus on the Entry Level groups, especially those at Entry Level 2 or below, acknowledging the highly disadvantaged contexts in which many of these group live.

However, in terms of monitoring broad trends in skill levels for various groups the evidence is limited. There is no ongoing measure of basic skills such as literacy, language and numeracy across the UK. The majority of the evidence on this comes from the ‘Skills for Life Survey’ which was carried out in 2003 and assessed literacy, language and numeracy skills. However, this survey only covered England and has not yet been updated and so measuring progress on basic skills is limited to measuring attainment in basic skills qualifications.

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<sup>6</sup> Bynner. J and Parsons. S, NRDC, 2006, *New Light on Literacy and Numeracy*.



In the absence of a better source of evidence this study uses having ‘no qualifications’ as a proxy for low basic skills. The Department for Children, Schools and Families (DCSF) (now the Department of Education) produces an annual compendium of statistics<sup>7</sup> based on a variety of sources, including the Labour Force Survey, which provides figures on qualifications gained and work-related training and disaggregates by geography and personal characteristics such as age, gender and ethnicity.

**Chart 1: Proportions with no qualifications across the UK**

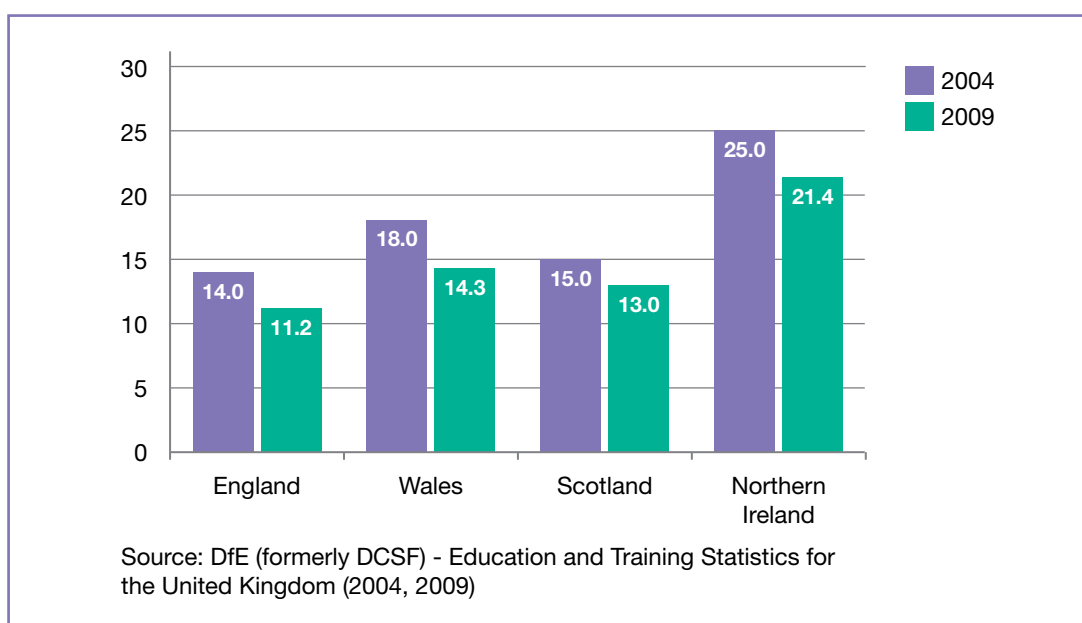


Chart 1 shows clear improvements in those with no qualifications across the four nations of the UK, although differences remain between countries.

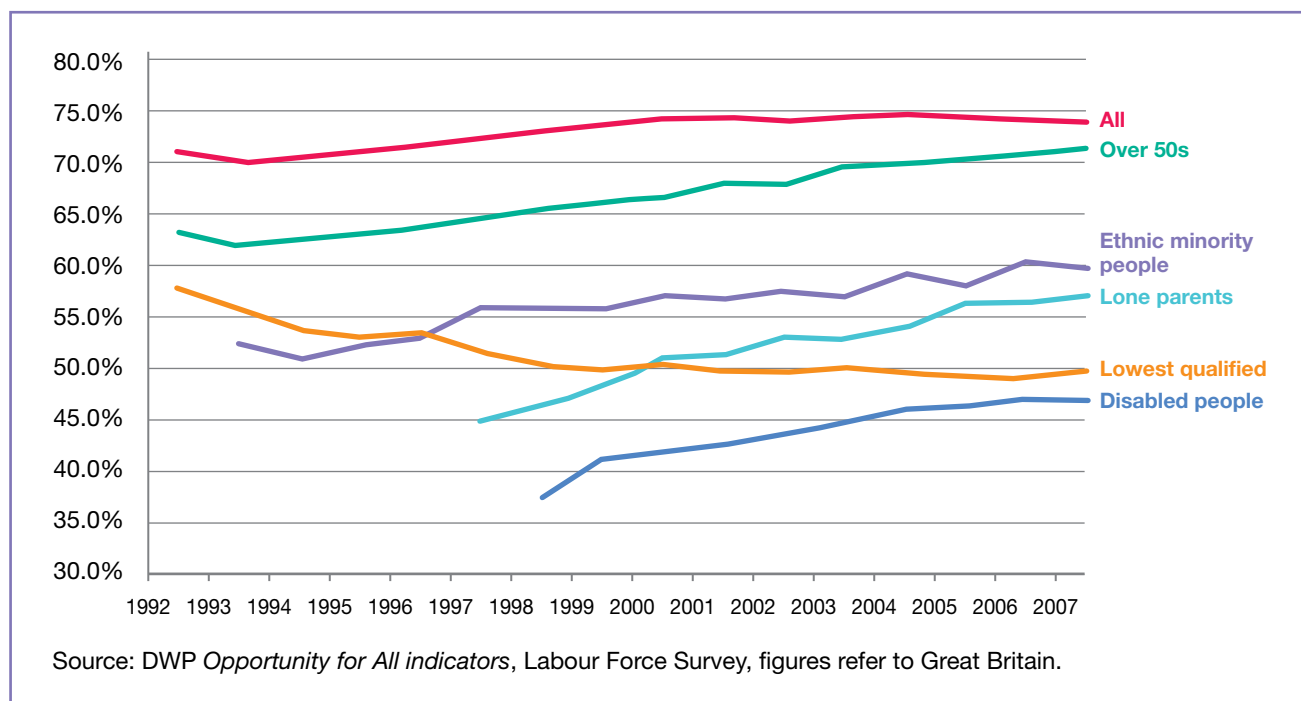
## Employment

Over the last decade up until last year, employment rates overall had been rising. Employment rates had also increased for particular disadvantaged groups – ethnic minority groups, disabled people, those aged over 50 and lone parents. The rate for lone parents over the past decade rose from 45 per cent in 1977 to 57 per cent in 2007 while the rate for disabled people rose from 38 per cent to 47 per cent. Between 1993 and 2007, the employment rates of those aged over 50 also rose from 63.5 per cent to 71.6 per cent.<sup>8</sup>

<sup>7</sup> DCSF (Now the Department for Education) – *Education and Training Statistics for the United Kingdom* available from: <http://www.dcsf.gov.uk/rsgateway/DB/VOL/v000891/index.shtml>

<sup>8</sup> DWP *Opportunity for All* indicators.

**Chart 2: Employment rates of disadvantaged groups**



However, the employment rates of certain groups have remained behind. The employment rate for those with low qualifications not only remains well behind the average, but has also decreased from 58 per cent in 1994 to 50.1 per cent in 2007. The Ethnic Minority Taskforce<sup>9</sup> monitors the employment rate of ethnic minority people and reported a gap of six percentage points in 2006 (11.2 per cent compared to a five per cent unemployment rate overall). While the employment rate of disabled people in Britain overall has risen steadily (currently 48 per cent from 38 per cent in 1998), people with learning disabilities have been left behind. Estimates of adults with learning disabilities in paid work vary, but only 10 per cent of those known to services are in any kind of paid work<sup>10</sup>.

## Outcomes for individual groups

This section looks in detail at employment and skills outcomes for individual groups. However, it should be noted that these groups are not mutually exclusive – individuals often suffer multiple disadvantages and these impacts tend to compound one another. For example, the previous section showed that the employment rates for lone parents had increased, but decreased for the lowest qualified – it may well be the case that many lone parents also fall into the low qualified group.

<sup>9</sup> <http://www.emetaskforce.gov.uk/reports.asp>

<sup>10</sup> *Valuing employment Now* 2009.

## 1.1 People with learning disabilities

Recent studies reveal that for people with learning disabilities employment levels are very low, just 10 per cent for people receiving adult social services<sup>11</sup>. The evidence shows that they have not benefited from the progress made for disabled people as a whole.

A research paper by Hatton and Emerson in 2008<sup>12</sup> found that over four in five (83 per cent) people with learning disabilities of working age were unemployed. Outcomes also vary depending on the severity of the learning disability. People with less severe learning disabilities have much greater chances of having paid employment. Twenty-eight per cent of people with mild/moderate learning disabilities had some form of paid employment compared to 10 per cent of people with severe learning disabilities and zero per cent of people with profound and multiple learning disabilities. Most of the people who had some form of paid employment were employed for 16 hours or more per week (70 per cent of people with mild/moderate learning disabilities; 57 per cent of people with severe learning disabilities). Just 17 per cent of people with mild/moderate learning disabilities and four per cent of people with severe learning disabilities who were working age were reported to be earning more than £100 per week.

The research also found that 36 per cent, just over one in three people with a learning disability, were undertaking some form of education or training. This was markedly higher among people with mild/moderate learning disabilities (36 per cent) and people with severe learning disabilities (38 per cent) than among people with profound and multiple learning disabilities (14 per cent).

## 1.2 Disabled people

The rate of learning participation for people with a disability varies depending on the type of disability they have. Twenty-one per cent of respondents in the 2005 NALS said they had a long-term health difficulty or disability and for 13 per cent, these clearly affected the type and amount of work they were able to do. Sixty-two per cent of people with a work-limiting disability reported learning over the past three years compared to 77 per cent with another type of long-term disability. Respondents with a work-limiting disability were significantly less likely to be vocational learners than respondents with a different type of a long-term disability (51 per cent and 66 per cent respectively). Respondents with any type of disability were significantly less likely to participate in vocational learning than those without a disability.<sup>13</sup>

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<sup>11</sup> HM Government – *Valuing People Now – a new three year strategy for people with learning disabilities*. (January 2009).

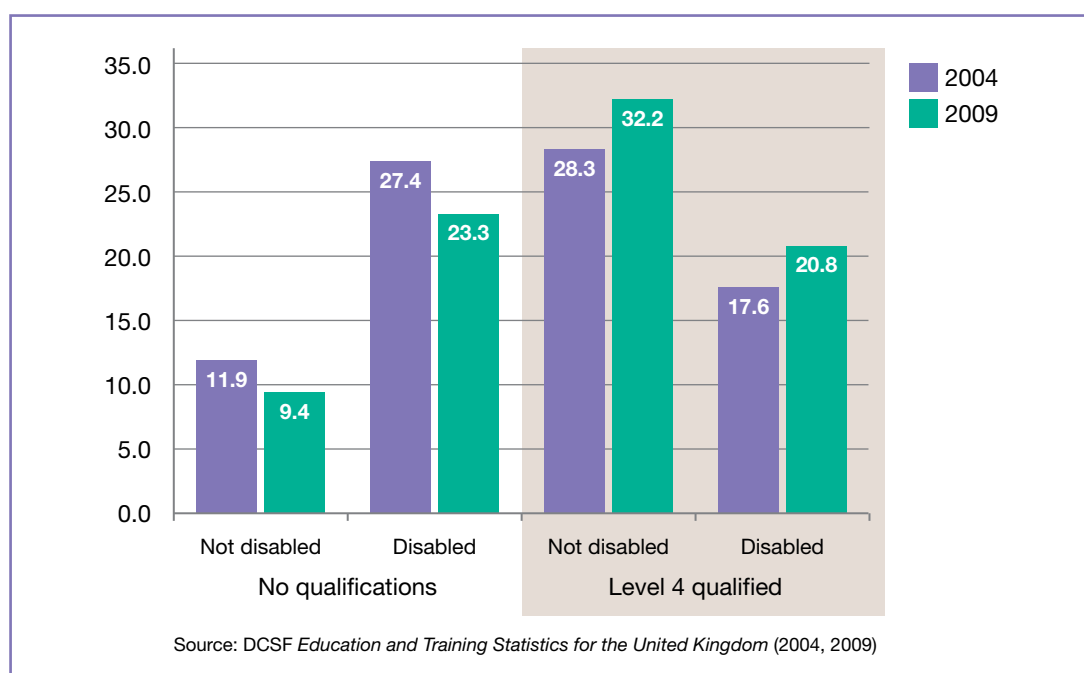
<sup>12</sup> Emerson, E. and Hatton, C. (2007). *People with Learning Disabilities in England*. Centre For Disability Research Report 2008: 1 May 2008.

<sup>13</sup> NALS 2005.

Statistics from the annual *Education and Training Statistics for the United Kingdom*<sup>14</sup> show that very similar proportions of disabled and non-disabled people receive work-related training. In 2009, 27 per cent of non-disabled people received work-related training in the previous 13 weeks – this compares to 30.7 per cent for those who are Disability Discrimination Act (DDA) disabled only, 28.7 per cent for those who are both DDA and work-limited disabled and 28.3 per cent for those who are work-limiting disabled only.

Using the same source to measure highest qualification held shows improvements for disabled people. The proportion of people with no qualifications has fallen, although it remains higher than for non-disabled people – see Chart 3 below. Furthermore, the proportion of people holding higher-level qualifications has also increased.

**Chart 3: Proportions of disabled people with no qualifications and Level 4 qualifications**



Employment outcomes for disabled people also vary depending on the severity of the disability. For people with a more severe disability the chances of getting into employment are lower. Employment rates also vary greatly according to the type of impairment a person has; for example, only 20 per cent of people with mental health issues are in employment. Although the employment rate for disabled people in Great Britain has gone up from 38 per cent in 1998 to 49.3 per cent<sup>15</sup> currently, there is still a significant gap compared to non-disabled people of whom 78.5 per cent are in work<sup>16</sup>. However, it is worth noting that those who are DDA disabled but not work-limiting disabled have a consistently higher employment rate than those who are not disabled.

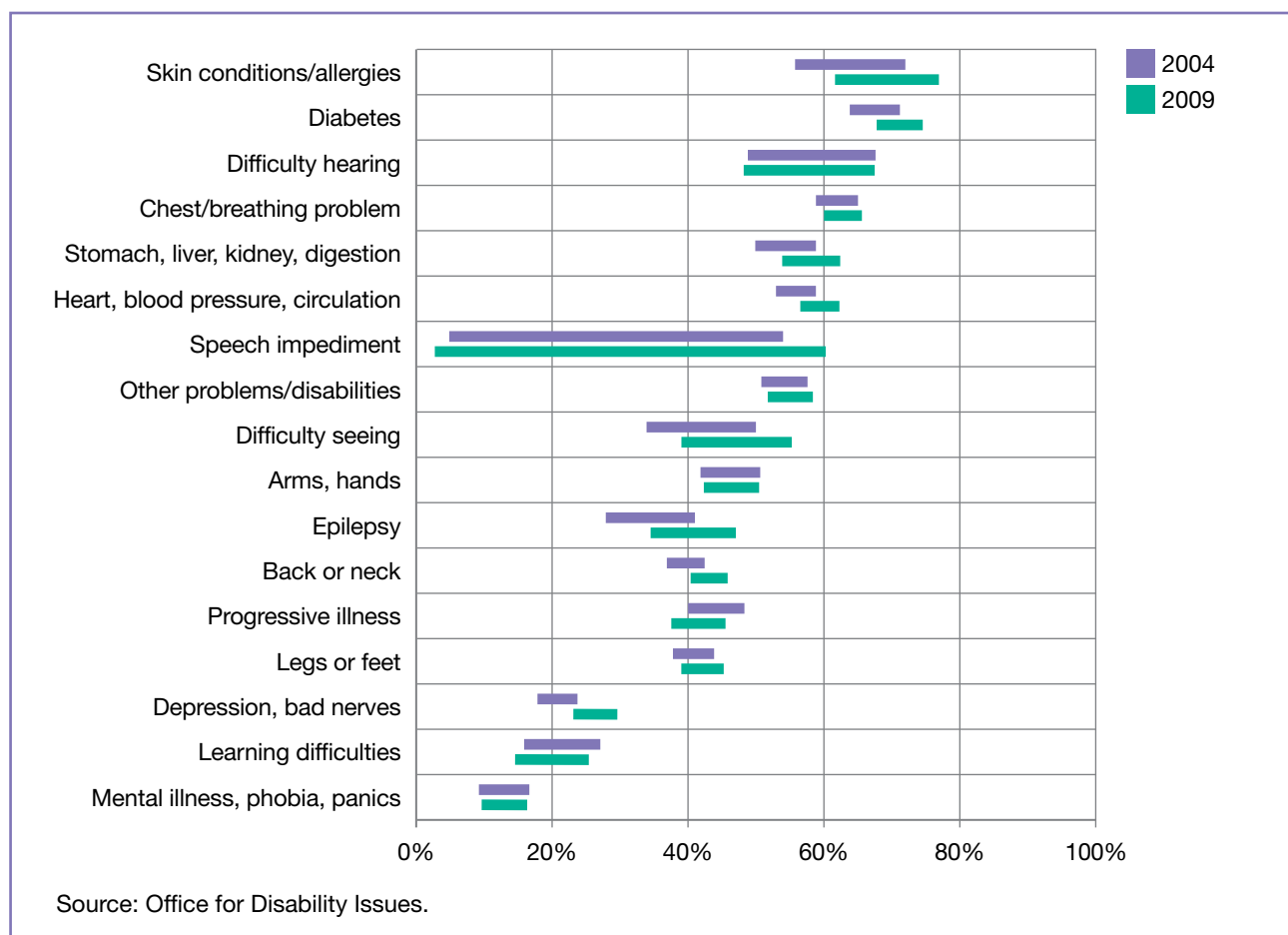
<sup>14</sup> DCSF (Now the Department for Education) – *Education and Training Statistics for the United Kingdom* available from: <http://www.dcsf.gov.uk/rsgateway/DB/VOL/v000891/index.shtml>

<sup>15</sup> Annual Population Survey (Jul 2008 – Jun 2009).

<sup>16</sup> *ibid.*

The Office of Disability Issues provide figures on the variation in employment rates by specific conditions. Chart 4 shows the huge variation in employment rate by impairment type – however, it should be noted that these figures are presented as a range of estimates due to small sample sizes. In general there is a shift to the right of each of the employment rate ranges between 2004 and 2008, although some groups have seen little or no improvement.

**Chart 4: Employment rates by impairment type (rates are presented as a range due to sample sizes)**





### 1.3 People with mental health difficulties

Evidence suggests that people all the way along a spectrum from severe mental health conditions to sufferers of more mild conditions such as stress, depression and anxiety may benefit from working. In particular randomised control trials of Individual Placement and Support (IPS)<sup>17</sup> internationally have consistently shown that people with serious mental health difficulties can engage in employment in the open labour market with evidence-based support. Moreover, there is no association at all between diagnosis or severity and employment outcomes<sup>18</sup>. Most recently the Black review<sup>19</sup> recommended that the stigma of mental health issues should be addressed through awareness campaigns to address employer and public perceptions. There is a broad agreement that mental health sufferers could benefit from remaining in the labour market and that work is beneficial to recovery, providing social support and a sense of feeling valued.

Labour Force Survey data on the incidence of different types of main impairment among disabled people of working age in Great Britain shows that 680,000 (10 per cent) of the 6.9 million people with a long-term disability cite mental illness as their main impairment. In the previous section, Chart 4 showed employment rates by different impairment types, the three lowest rates (ranges) were the three categories of mental ill-health, i.e. depression and bad nerves, learning difficulties and mental illness, phobia and panics. However, in observing changes over time the depression/bad nerves group has seen an improvement whereas the other two groups have not.

Research has shown strong evidence on the connection between mental and behavioural disorders and levels of social deprivation, with those affected more likely to lack formal qualifications, suffer from long-term economic inactivity and live in deprived neighbourhoods. Common mental disorders are significantly more frequent in socially disadvantaged populations.<sup>20</sup>

### 1.4 Ethnic minorities

Historically the employment rate for ethnic minorities has remained lower than that of the general population. Over the last 20 years there have been significant fluctuations in the gap, which has ranged from 12.5 percentage points in 1989 to 20 percentage points in 1994<sup>21</sup>. Since 1994 there has been a slow but steady reduction in the gap – Chart 5 shows some of the changes over the last five years. The gap has clearly narrowed but some groups have fared better than others. The rate for Pakistani/Bangladeshi people has climbed consistently over the period while for Black groups the rate rose up to 65 per cent in summer of 2007 but has since fallen by five percentage points. Large variations in employment outcomes by ethnicity remain, particularly when figures are further disaggregated by gender. The difference in employment rates between highest and lowest is 16.6 percentage points for males and 45.2 percentage points for females.

<sup>17</sup> IPS is a method of 'place then train' in mental health support and has seven elements; it aims to get people into competitive employment, it is open to all those who want to work, it tries to find jobs consistent with people's preferences, it works quickly, it brings employment specialists into clinical teams, it provides time unlimited, individualised support for the person and their employer, benefits counselling is included.

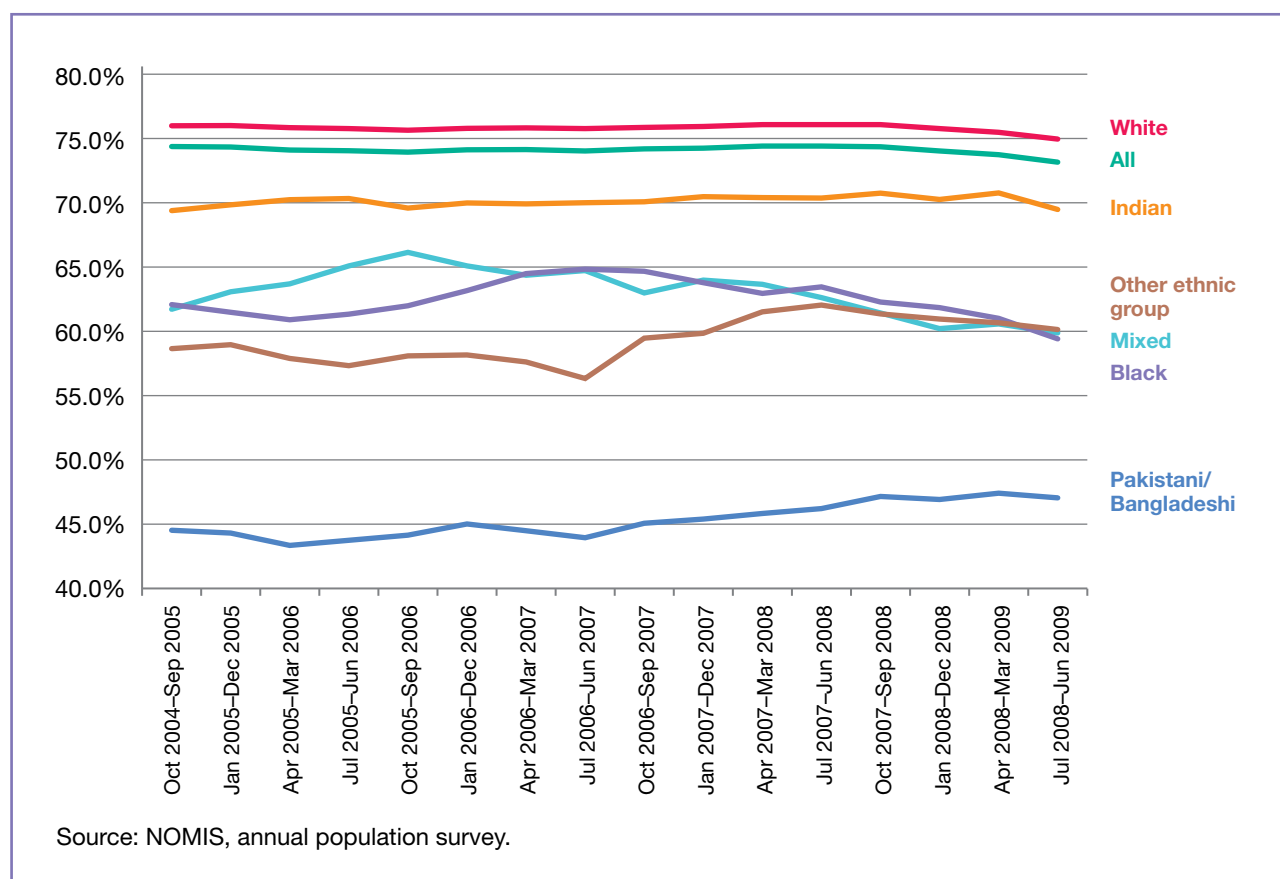
<sup>18</sup> DWP – *Realising Ambitions: Better employment support for people with a mental health condition*. (Dec 2009).

<sup>19</sup> Dame Carol Black – *Working for a Healthier Tomorrow* (2008)

<sup>20</sup> Fryers, David Melzer and Drachel Jenkins, *Social inequalities and the common mental disorders*.

<sup>21</sup> *Increasing employment rates for ethnic minorities*, National Audit Office, 1 February 2008.

Chart 5: Employment rates by ethnicity



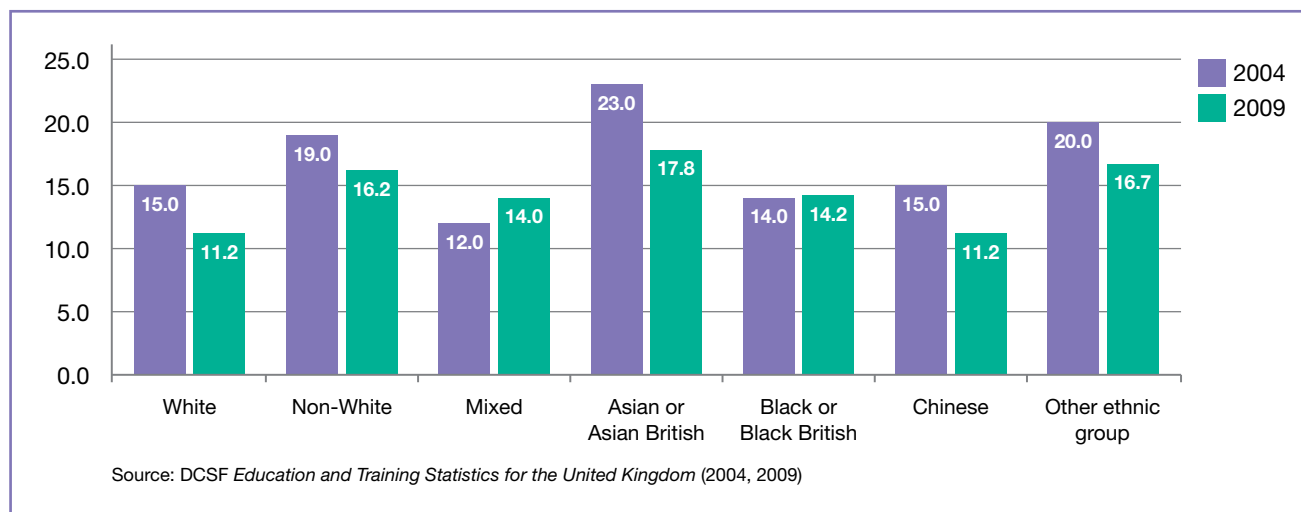
Qualification levels and labour market experiences have been different for second, third and fourth generation British-born ethnic minority populations and are different again for the recent influx of migrants (a large proportion of whom are White). However, a study by the Joseph Rowntree Foundation (Meadows, 2008)<sup>22</sup> suggested that people from Black and minority ethnic groups and recent migrants not only face the disadvantages associated with ethnicity (such as discrimination and limited English) but also issues related to living in deprived areas.

Figures from the DCSF<sup>23</sup> *Training Statistics* for the United Kingdom show the level of highest qualification by broad ethnic group. In looking at those with no qualifications there has been broad improvement, although with some exceptions. The proportions with no qualifications have fallen from 15 per cent to 11.2 per cent for White groups and from 19 per cent to 16.2 per cent for Non-White groups. The greatest reduction is in the Asian or Asian British group for whom the figures have fallen from 23 per cent to 17.8 per cent. However, the mixed group have seen an increase from 12 to 14 per cent and the Black or Black British group has increased very slightly from 14 to 14.2 per cent.

<sup>22</sup> Joseph Rowntree Foundation, Meadows 2008.

<sup>23</sup> DCSF has recently become the Department for Education.

Chart 6: Proportion of ethnic group with no qualifications



## 1.5 Migrant workers/refugees

Migrant workers are a particular group for whom the evidence is limited especially because they are perhaps the least homogenous group discussed in this study; their circumstances vary hugely from recent refugees to highly-skilled migrants. These differences are not well brought out by the data which often simply distinguishes individuals by country of birth. Furthermore, foreign qualifications are often difficult to classify and are often not recorded by their level and instead are labelled 'other' which makes comparison very difficult. This problem of lack of recognition of foreign qualifications contributes to the lower skills and employment outcomes of migrant workers.

Some migrant workers face various barriers to getting into employment and they tend to have higher unemployment rates compared with the general population. Migrant workers from 'White' ethnic backgrounds tend to perform as well as or better than the existing population while migrants from other ethnic backgrounds are less likely to participate in the labour market.<sup>24</sup>

Refugees/asylum seekers experience problem with getting a work permit to allow them to work while their asylum claim is being processed. Other barriers include: recognition of previously obtained skills and qualifications from original countries, and lack of knowledge of the labour market and language. Green (2005) and Hasluck and Green (2007) suggest that '*recent migrants may face a number of disadvantages such as language and cultural barriers and also a lack of understanding of how employers recruit*'<sup>25</sup>. Lack of recognition of qualifications, skills and experience means that migrant workers find it difficult to get into employment or end up working in low-skilled, low-paid jobs<sup>26</sup>.

<sup>24</sup> *Migrants in the UK, their characteristics and labour outcomes, impacts* – Home Office, December 2002.

<sup>25</sup> Green (2005) and Hasluck and Green (2007).

<sup>26</sup> *Policy briefings on the assessment of skills and recognition of qualifications of refugees and migrants in Europe* – NGO Networks of Integration Focal Point – March 2004.

## 1.6 Ex-offenders

This group is one for whom measuring ‘unobserved’ characteristics, in this case having a criminal record, becomes a problem for measuring outcomes as individuals are unwilling to share information due to the stigma attached. As a result, information on employment and skills outcomes for this group is quite limited, especially when trying to measure trends over time. However, from various one off-studies we know that outcomes for offenders are well below those of the general population:

- 67 per cent of prisoners were not in work or training in the four weeks before going to prison<sup>27</sup>.
- 76 per cent of prisoners do not have paid employment to go to on release<sup>28</sup>.
- 52 per cent of male and 71 per cent of female prisoners have no qualifications at all<sup>29</sup>.
- The proportion of prisoners at or below Level 1 skills (a low-level GCSE) in reading is 37 per cent.
- Almost half of all prisoners say that employment (48 per cent) and skills deficits (42 per cent) are most important to their sentence plan<sup>30</sup>.

For offenders, getting into employment after release from prison is a positive and necessary step to getting their life back on track and preventing re-offending, but the reality is that they face many barriers and issues such as housing, substance abuse, finance, and the negative effect of having a criminal record which need to be addressed alongside employment.

Improving skills and employment for offenders can have a positive impact on reducing re-offending. A recent research review found that employment-focused intervention both within prison and after release can make a significant difference to the employment rates of offenders and is the most effective way of reducing re-offending. Evidence suggests that employment and a reduction in re-offending are linked. Those with relatively higher skills (for example Level 2) are also more likely to be in employment than those without.

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<sup>27</sup> *Reducing re-offending through skills and employment* – December 2005.

<sup>28</sup> *ibid.*

<sup>29</sup> *ibid.*

<sup>30</sup> Duncan Stewart, Ministry of Justice, *The problems and needs of newly sentenced prisoners: results from a national survey*, p.17 (2008).

## 1.7 Homeless people

This group, perhaps more than any other, has very limited evidence for all of the reasons previously stated. The employment rate for homeless people is very low – around 10 per cent are working compared with 75 per cent of the general population<sup>31</sup>. Being homeless and not having paid work are inter-related – being unemployed is a barrier to getting and keeping a home while being homeless makes getting a job difficult. Recent research reveals that most homeless people want to work but face various barriers to doing so – in a survey by Off the Street in to Work (OSW), 77 per cent of respondents said they wanted to work at the time of the interview and 97 per cent expressed a desire to work in the future.<sup>32</sup>

## Impact of the recession on disadvantaged groups

Evidence from past recessions shows that unemployment affects some groups more than others. In the 1990s recession young people were affected; their employment rate fell faster than any other group. In the current recession, the employment rate for this group has fallen by 3.9 percentage points. One might expect that all socially excluded groups are more vulnerable to a recession, but a recent DWP paper on the impact of the economic downturn on disadvantaged groups showed that outcomes can vary across groups.

Between Quarter 1 2008 and Quarter 1 2009, the employment rate for ethnic minorities rose very slightly in contrast to the decline in employment seen overall. This has resulted in the gap between the ethnic minority rate and the overall rate closing by 1.7 percentage points.<sup>33</sup> The employment rate for disabled people has fallen slightly, to 47.7 per cent, but this fall is smaller than the fall for the overall population<sup>34</sup>. The employment rate for the lowest qualified group which is made up of two sub-groups – those with no qualifications and those with some low-level qualifications – fell by 1.6 percentage points, which is more than the decline in the employment rate for the population overall. The rate now stands at 49.3 per cent.<sup>35</sup> The employment rate in deprived areas (deprived areas cover wards with the highest benefit claim rates) fell by 1.6 percentage points.<sup>36</sup>

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<sup>31</sup> Crisis website – *Wider policies, work related overview* – 2007.

<sup>32</sup> No home, no job: moving on from transitional spaces – OSW 2005 (Singh).

<sup>33</sup> DWP – *Monitoring the impact of the recession on various demographic groups* (June 2009).

<sup>34</sup> *ibid.*

<sup>35</sup> *ibid.*

<sup>36</sup> *ibid.*

## Conclusion

Evidence on the employment and skills outcomes for socially excluded groups is not comprehensive enough to make a full assessment. This is especially the case for measuring change over time as many of the employment and skills outcomes noted above are sourced from one-off studies. Broad employment and qualification outcomes can be discerned for some groups but not for others, particularly those where disclosure is an issue.

Labour market outcomes for socially excluded groups are lower than the general population. Over the last decade, up until the recession, employment rates overall had been rising and employment rates for particular disadvantaged groups, such as ethnic minority groups, disabled people, those aged over 50 and lone parents, have been catching up. However, the employment rates for certain groups have remained behind and can still vary considerably. For example, while employment outcomes for disabled people have improved considerably in recent years, people with learning disabilities have been left behind. Employment outcomes also vary considerably between different ethnic groups – for example, some ethnic groups, such as Bangladeshi and Pakistani women, have very low employment rates.

Skills development is key to helping excluded groups get into work and progress. Skills policy across the UK has been successful in that there have been reductions in those without qualifications and a general increase in those with higher qualifications. However, discerning skill levels of disadvantaged groups from the existing evidence is challenging. A major flaw in the existing evidence base is the lack of an ongoing survey to discern trends in basic literacy, numeracy and language skills across the UK.

## 2. System incentives to work with the hardest to help

This chapter discusses the extent and the means by which the employment and skills system encourages providers to work with the hardest to help through funding and other mechanisms.

### Creaming and parking

Two issues have driven this part of the study: the notions of ‘creaming’ and ‘parking’.

- **Creaming** – This is where providers of employment and/or skills services have the incentive and freedom to work with those that are easiest to help.
- **Parking** – Where there is no incentive for providers to do any more than spend the minimum amount of time and resources on those they deem hardest to help.

Socially excluded groups take more time and effort to help and present a greater risk of non-completion or not succeeding, and are therefore at risk of creaming and parking by providers. The issues of creaming and parking are well documented in a range of public policy fields including health and education, but they have received particular attention in welfare-to-work policy, for example the DWP Select Committee has recently noted the risks of creaming and parking in the Flexible New Deal<sup>37</sup> and Pathways to Work<sup>38</sup>.

The context of creaming and parking are slightly different in employment and skills policy. Very rarely in skills policy are learners mandated onto any kind of provision; instead providers are free to choose who to take on and so the risk here is creaming as opposed to parking. Research by the Policy Exchange<sup>39</sup> found that training providers in England have two options open to them when taking on hard-to-help learners. Firstly, they may enrol the learner on a course which is below the level at which they want to learn – this lowers the chance of failure and thus reduces the potential impact on the provider’s success rate. Secondly, they may enter the learner on the course at the level they wish to learn but do not inform the funding body. In this way they take a funding hit but the risk of a negative impact on the success rate is removed.

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<sup>37</sup> House of Commons Work and Pensions Select Committee, *DWP’s Commissioning Strategy and the Flexible New Deal* (March 2009).

<sup>38</sup> House of Commons Work and Pensions Select Committee, *Management and Administration of Contracted Employment Programmes*.

<sup>39</sup> Policy Exchange – *Simply Learning: Improving the Skills System in England* (2009).

The situation is slightly different in welfare-to-work policy where mandation onto provision is far more common and the provider has no choice in this. For example, currently all Jobseeker's Allowance (JSA) claimants will go on to Flexible New Deal<sup>40</sup> after 12 months; here the risk of parking is greater. In this situation the incentive is for providers to try to establish quite quickly the likelihood of success with an individual. If this likelihood is minimal and resources are stretched then the incentive is to do as little as possible while concentrating on those that are closest to the labour market. One further option open to prime contract holders is to pass risk down their supply chains which may have the same effect as creaming. Using this approach, prime contractors can hold on to the easiest clients and pass on the most difficult to their sub-contractors.

There is a variety of ways in which public policy seeks to mitigate creaming and parking. These include:

- **Risk-adjust the pricing system**<sup>41</sup> – The funds that service providers receive are adjusted so that so that higher-cost users receive a premium. However, perfectly accurate risk adjustment is extremely difficult to achieve and so long as it is not perfect the incentives to cream and park remain. There is also the further risk of coding 'creep' where providers have the incentive to 'upcode' service users in order to receive the premium.
- **Remove choice of user from providers**<sup>42</sup> – Service providers have no choice who they take on and so, for example, schools would have to accept every applicant up to capacity and, once capacity was reached, to allocate users by lottery or some other random process.
- **Performance management** – Some systems may have specific targets for specific groups or require providers to set minimum standards such as commitments to equalities through Single Equality Schemes in order to ensure an equal standard of service to all.
- **Stop-loss insurance**<sup>43</sup> – Here providers faced with a user whose service costs lie well outside the normal range are allocated extra resources once the cost has passed a certain threshold. This has the advantage of removing the incentive to discriminate against high-cost users; but it carries with it the problem that the providers concerned have no incentive to economise on service once the threshold has been passed.

Current employment and skills policies employ some of these methods (stop loss insurance is not used) – the extent and means is discussed below.

<sup>40</sup> The Government has recently announced its plans to replace all current contracted welfare-to-work provision, including the Flexible New Deal, with a single 'Work Programme'.

<sup>41</sup> *Equality and choice in public services* J. Le Grand (2006).

<sup>42</sup> *ibid.*

<sup>43</sup> *ibid.*



## Risk adjusted pricing

As noted above, without variation in the price and according to the risks associated with different customers, providers have the incentive to minimise risk by taking on those that are most likely to stay on the course and successfully complete. In employment policy welfare-to-work providers receive a uniform price for a job entry and then further payments for a sustained job outcome<sup>44</sup>. In skills policy the situation is slightly different in that while funding does tend to be allocated uniformly according to learner places filled and completion/success rates, there is some risk adjusted pricing, although this varies between nations in the UK. There is also a variety of funding streams which are there to assist learners themselves, such as additional learner support. However, this paper has focused on mainstream funding.

In England the SFA<sup>45</sup> employs ‘disadvantage uplift’ to boost funding to colleges that take on socially excluded learners. The criteria for disadvantage uplift is based on postcode (whether the learner lives in a deprived ward based on the Index of Multiple Deprivation), take-up of basic skills courses or any of the following characteristics: *‘the homeless, those living in hostels, those with mental health disabilities, travellers, asylum seekers, refugees, ex-offenders, full-time carers, those recovering from alcohol or drug dependency, those whose statutory education has been interrupted, those in or who have recently left care, Single Regeneration Budget (SRB) funded learners’*. Learners who fall into any of these categories receive a 12 per cent uplift to their funding allocation. A 14 per cent uplift rate is available for those who live in supported accommodation<sup>46</sup>.

In Scotland a similar method is applied, but the uplift is a fixed amount as opposed to a percentage increase. Colleges in Scotland receive £85.69 for every enrolled student who lives in the 20 per cent most deprived areas and an additional £14.70 per SUM<sup>47</sup>, which is 40 hours of notional learning, to encourage retention<sup>48</sup>. In total this amounts to £15.5m across Scottish FE and approximately 2.7 per cent of the total non-capital budget of £571m<sup>49</sup>.

In Northern Ireland the FE funding model was modified in 2007. The new model recognises the higher costs of socially excluded learners at a college level as opposed to an individual level. Using the geographical areas scored for deprivation by Professor Noble in his report *Northern Ireland Multiple Deprivation Measure* the average level of deprivation in the catchment of the FE colleges was assessed and classified as low, moderate and high. Weightings were then devised to reflect these classifications and applied during calculation for every student.

<sup>44</sup> Under Flexible New Deal, providers receive payments once the job has been sustained for 13 and then 26 weeks.

<sup>45</sup> From April 2010 the LSC no longer exists, its funding functions are now performed by the SFA.

<sup>46</sup> LSC – *Disadvantage Uplift Business Definition 2008/2009*. Available from: <http://www.lsc.gov.uk/providers/Data/datadictionary/businessdefinitions/Disadvantage+Uplift.htm>

<sup>47</sup> SUM – Student Unit of Measurement

<sup>48</sup> Scottish Funding Council – *Main grants to colleges for academic year 2009-10*.

<sup>49</sup> *ibid.*

However, recent research by the Policy Exchange in England shows that these attempts to price risk back into the system may not be effective:

*‘Colleges have told us that they are concerned that current funding policies do not incentivize them to take on hard to reach learners. They characterize the problem as a matter of risk, and claim that at the moment the system has no mechanisms through which high risk learners are essentially ‘de-risked’ thereby removing disincentives for colleges and other providers to take them on’<sup>50</sup>*

The above evidence suggests that the funding policy does not currently recognise the full costs of delivering to some groups – however, there are also issues around recognition of the extra time some learners need. Policy exchange’s work with colleges showed that they have two courses of action when taking on disadvantaged learners. The first option is to put them on a lower-level course which lowers the risk of failure and/or dropping out but at the same time reduces the value to the learner. Alternatively, they enter the learner onto the (higher-level) course but do not tell the funding body that the learner has been enrolled. This means there is a clear impact on funding but success rates will not be affected. The National Skills Forum report *Doing Things Differently* found evidence for this with regard to people with disabilities:

*‘funding criteria are often too target driven, making training providers more risk averse. This can often lead to training providers being reluctant to take on disabled learners, because of a stereotypical perception about their ability to complete a course’<sup>51</sup>*

Furthermore, the LSC’s<sup>52</sup> evaluation of its Single Equalities Scheme found that:

*‘many of those interviewed felt that the funding mechanisms did not sufficiently stimulate providers to improve their provision for disadvantaged groups and the emphasis on completion rates could act as a disincentive for engaging learners whom providers felt were less likely to complete the course.’<sup>53</sup>*

As has been noted there is no variation in payments for Jobcentre Plus or contracted welfare-to-work providers for different client groups. Providers get paid on the basis of a uniform price per job entry. However, the DWP Commissioning Strategy does acknowledge the importance of recognising the varying costs of different groups:

*‘We will trial different models of outcome payments. We will work with providers to develop more sophisticated, differentiated models that recognise those customers who can be helped more quickly to find their route to a sustained job and those who will need determined action to tackle their particular barriers.’<sup>54</sup>*

<sup>50</sup> Policy Exchange – *Simply Learning: Improving the Skills System in England* (2009).

<sup>51</sup> National Skills Forum, *Doing Things Differently: Step Changes in Skills and Inclusion*.

<sup>52</sup> From April 2010 the LSC no longer exists, its funding functions are now performed by the SFA.

<sup>53</sup> LSC – *Review and evaluation of the LSC’s Single Equality Scheme* (June 2009).

<sup>54</sup> DWP – *DWP Commissioning Strategy* (Feb 2008).

DWP may soon be trialling an ‘Accelerator’<sup>55</sup> model of funding which aims to get around issues with creaming and parking. Under the accelerator, model providers of welfare-to-work services will be paid more per person the more of the total workless cohort they get into work. So, for example, for the first 20 per cent of the local cohort they may be paid price ‘A’ but for the next 20 per cent they will get price ‘B’ and so on. This gives the provider the incentive to get as far into the cohort as possible and in doing so they will need to work with the hardest to help.

If this model is trialled and found to be successful in encouraging providers to work with the hardest to help then a similar model should be encouraged in skills provision. However, in order to assess whether different groups are creamed or parked requires an appropriate evidence base that describes the outcomes robustly.

## Removing choice from providers

In employment policy, contracted providers have very little choice in who Jobcentre Plus refers to them. The DWP’s Flexible New Deal (FND) evidence base paper concludes:

*‘parking represents a greater risk than creaming in the Flexible New Deal model because providers cannot influence who joins the Flexible New Deal stage, therefore providers do not have the freedom to take on only the job seekers most likely to find employment.’<sup>56</sup>*

However, despite this some risk remains. Instead of creaming, prime providers have the incentive to pass risk down the supply chain by referring harder-to-help clients on, in some cases on a ‘no outcome, no fee’ basis<sup>57</sup>. While the Department responded by saying that it will look more closely at the conduct of the prime providers and provide the equivalent of an ombudsman-type service, a later report by the DWP select committee found evidence of creaming and parking in Pathways to Work<sup>58</sup>.

By contrast, in skills policy training providers have much more choice over who they take on. However, the fact that the freedom to ‘cream’ the easiest to work with exists does not mean that it happens and all providers engage in this activity. For instance, in order to be able to cream, providers and/or courses individually must be over-subscribed, which is often not the case. Nevertheless, the risk remains.

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<sup>55</sup> Under current plans the accelerator model will be trialled with the Personalised Employment Programme. However, the new Government has announced its plans to replace much of the existing welfare-to-work provision with a new ‘Work Programme’.

<sup>56</sup> DWP, Flexible New Deal: Evidence Paper (Dec 2007).

<sup>57</sup> DWP Select Committee, *DWP’s Commissioning Strategy and the Flexible New Deal*.

<sup>58</sup> DWP Select Committee, *Management and Administration of Contracted Employment Programmes*.

## Performance management, targets and equalities

Within Jobcentre Plus, each district has a target called the ‘Job Outcome Target’. This system is not purely about counting job entries directly; instead, job entries receive points which are determined by the circumstances of the person placed into work. For example, a JSA claimant who’s been claiming for under six months will attract four points, while a lone parent or Incapacity Benefit claimant will attract 12 points. Additional points can be added if the individual lives in a disadvantaged area<sup>59</sup>. This system therefore gives the incentive to Jobcentre Plus advisors to work with harder-to-reach customers. However, this disaggregation across customer groups is limited to Jobcentre Plus and not contracted providers who deliver programmes such as Pathways into Work and Flexible New Deal, and who are increasingly dealing with the hardest to help on behalf of DWP and Jobcentre Plus.

While the funding systems in welfare to work do not pay a premium for harder-to-help groups, the DWP PSA targets framework and the Jobcentre Plus performance management system both actively encourage working with groups it has identified as being at risk. DWP’s PSA target framework (PSA 8 ‘Maximise Employment Opportunity for All’) includes a sub-indicator:

*‘A narrowing of the gap between the employment rates of the following disadvantaged groups and the overall rate: disabled people, lone parents, ethnic minorities, people aged 50 and over, the 15 per cent lowest qualified, those living in the most deprived local authority wards’.*

While these groups differ from those identified as the subject of this study and do not include the very difficult to help groups such as the homeless or ex-offenders, this illustrates an important driving factor – narrowing the gap – and a distinction between employment and skills policy. This PSA target requires the Department to report on the relative performance of each of these groups and alongside this there are programmes particularly aimed at certain groups, such as Pathways to Work for disabled people, the New Deal 50+ for older workers and POEM (Partners Outreach for Ethnic Minorities).

The Department is now moving away from programmes designed for specific groups as these can, in some circumstances, be restrictive; instead it has allowed greater flexibility through programmes such as the Flexible New Deal and the forthcoming Work Programme. Furthermore, the new Government has announced that all separate welfare-to-work programmes will be rolled into one ‘Work Programme’. However, if PSA 8 target remains in place then the Department will continue to monitor the relative fortunes of these groups. This highlights the clear difference between designing programmes specifically for certain groups and monitoring the outcomes for these groups. The former is not necessarily the way to achieve better outcomes but regardless of this, the outcomes need to be monitored. An example of this is the Scottish FE system which does not have a target for participation of disadvantaged learners but rewards it through the funding system and measures the changes through publications such as *Scottish Participation in Further and Higher Education 2003-04 to 2007-08*.

<sup>59</sup> [www.dwp.gov.uk/jobcentrepplus](http://www.dwp.gov.uk/jobcentrepplus)

By contrast, the skills system across the UK does not have specific targets for groups and so does not monitor the overall outcomes for different groups in the same way that PSA 8 requires. The recent research by the National Skills Forum states:

*‘providers such as FE colleges, Connexions services and Jobcentre Plus should share ownership of equality and diversity targets, and be monitored by local authorities as part of their new skills commissioning role.’*

Research carried out for the UK Commission finds that funding is a ‘secondary driver’ for most providers; how they are managed and what their explicit goals are matter much more. This research also found that recent improvements in success rates in college provision in recent years have not been driven by funding but instead by performance management.

However, performance management and a drive for greater success rates may come at the expense of other areas, such as working with socially excluded groups. For example, a commitment to equalities of different groups defined by race, gender and disability are invariably part of performance management frameworks through policies such as Single Equalities Schemes, but in some cases this may be seen as a secondary concern compared to overall performance. This passage from the LSC’s<sup>60</sup> evaluation of its Single Equality Scheme illustrates the point:

*‘competing demands and targets can dilute the equality and diversity agenda in some regions. Staff may be working to the requirements of many agendas and find they do not have enough time to address fully the issues of equality and diversity. For example, partnership teams working with providers are required to discuss performance targets and achievements regularly whereas a dialogue focused on equalities and diversity occurs once a year.’<sup>61</sup>*

All FE-funding agencies and providers themselves will have commitments to delivering to disadvantaged groups, for example through single equality strategies. However, this may not be sufficient to drive improved performance for all disadvantaged groups. If the drive from funding agencies has been towards improved volumes and success rates in general while equality and diversity concerns have been secondary, then this would tend to incentivise creaming and parking of socially excluded groups further. Furthermore, while there is some overlap between the socially excluded groups that are the focus of this paper and equalities groups defined by race, gender and disability, others are not covered by such policies (the homeless, ex-offenders etc).

<sup>60</sup> From April 2010, the LSC no longer exists, its funding functions are now performed by the SFA.

<sup>61</sup> LSC – *Review and evaluation of the LSC’s Single Equality Scheme* (June 2009).

## Conclusion

This chapter has examined the incentives within the employment and skills system to work with the hardest to help. It is important to make the point that conclusions as to whether the system does or does not incentive working with hard-to-reach groups is not the same as concluding whether providers actually do work with the hardest to help. There are numerous example of excellent provider work in this area. However, in terms of whether and to what extent the system incentivises this kind of activity we have found some limitations. These are summarised below.

<b>Differential pricing</b>	<ul style="list-style-type: none"><li>■ Skills policy across the UK has a variety of ways of paying providers more for helping socially excluded groups. However, the evidence suggests that these mechanisms may not be sufficient to remove the incentive to cream and park.</li><li>■ By contrast, employment policy does not have differential pricing but plans to introduce an ‘accelerator’ model to address creaming and parking.</li><li>■ If this model is successful it should be trialled in skills policy.</li></ul>
<b>Removing choice from providers</b>	<ul style="list-style-type: none"><li>■ Currently skills training providers have freedom to choose who to enrol – however, the option to cream is only available when courses are over-subscribed.</li><li>■ By contrast, contracted employment providers have no choice who they take on and so the risk is parking.</li><li>■ Employment providers also have the option of passing risk down the supply chain.</li></ul>
<b>Targets and performance management</b>	<ul style="list-style-type: none"><li>■ There is a strong contrast between employment and skills policy in their targets framework in that employment policy has specific targets around ‘narrowing the gap’ for specific groups.</li><li>■ Both employment and skills policy have commitments to equalities defined by race, gender and disability. However, these do not necessarily include socially excluded groups and can sometimes be a secondary priority when the drive is for overall performance.</li></ul>

### 3. Tackling exclusion case studies

In support of the Tackling Exclusion scoping study, case studies of four organisations who deliver employment and/or skills outcomes to socially excluded groups were completed. The four case studies are:

1. **Off the Streets and Into Work** – A London-based charity who are delivering a ‘work-first’ approach to resettlement with homeless people.
2. **Access to Industry** – An Edinburgh-based charity that works with ex-offenders, people with a history of substance abuse and others to get them into FE and employment.
3. **Employment Routes** – An Intermediate Labour Market (ILM) programme that helps people into work via subsidised work placements and training in the Welsh Valleys.
4. **Work Solutions** – A local authority programme for helping people with disabilities (particularly learning disabilities) into sustained work in Hertfordshire.

From these case studies, and other work, it is clear that there is already a wide variety of models of delivery that work and are currently being delivered, but there are certain characteristics which make them successful. These include:

- High expectations and ambitions for clients.
- A flexible and personalised approach.
- An established, experienced and highly-skilled team delivering the services.
- Provision driven by employers’ needs.
- After-care and continuous support after moving on into employment or elsewhere.
- Rolling programmes – every programme must have the ability to start when needed and allow for roll on and roll off – this allows for relapse and re-engagement.
- Tangible results – the participants must see ‘milestone’ results in their progress towards the end goal – employment.
- Incentives achieve better performance than penalties.
- Flexible and long-lasting funding packages.
- Getting buy in from, and working in partnership with, local organisations, including FE providers and other services such as health, housing and criminal justice.



All of these projects are working successfully with disadvantaged groups to achieve employment and/or skills outcomes. This raises the question: if these groups are able to deliver services to socially excluded adults under the current system, then what is the problem? The answer is that despite success, which is achieved cost-effectively, the case study research reported frequent problems with delivering these services. These include:

- **Lack of recognition of the costs of delivery** – Despite the presence of differential pricing in some parts of the employment and skills system the extra costs of delivering to socially excluded groups are not recognised sufficiently in employment and skills funding policy which, with a few exceptions, tends to be driven by uniform payments per learner or job outcome. This increases the risk of creaming and parking.
- **Lack of recognition of the benefits of delivery** – Achieving employment and/or skills outcomes can result in significant cost savings in other public service areas. These include use of homeless hostels and adult day-care services for example.
- **Short-term funding** – In all cases, funds, were time limited; in many cases very short term (two to three years).
- **Multiple funding streams** – In most cases, the complete offer to the individual was only possible with multiple funding streams each of which has different rules, timetables and procedures.
- **Staff turnover** – The preponderance of short-term funding means that it is difficult to hold on to staff.
- **Restrictive payment mechanisms** – In some cases, payments were slow and processes were cumbersome and inflexible.
- **Rewarding performance** – Funding and target mechanisms tend to incentivise an exact delivery level with little incentive to go beyond this.
- **Resource intensive bidding** – Significant amounts of time and effort go into constantly bidding and competing for funding. This resource would be far better spent on delivering the services to individuals.
- **Sharing information** – There are numerous restrictions to sharing information about individuals.
- **Differing targets and procedures** – Local partners often work well together but are hindered by differing target systems and procedures.
- **Lack of matching timetables** – In order for individuals to be offered a cohesive service, i.e. receive their employment and skills support alongside other assistance such as housing and health, start and end dates need to match.
- **Differing attitudes and expectations** – In some cases, these providers have been hampered by partners who do not agree that an employment or skills intervention is appropriate for their clients.



## Access to industry<sup>62</sup>

### 1. Background

Access to Industry (AI) is an Edinburgh-based charity that was set up in 2000 in response to the Widening Access and Participation agenda with the aim of moving more non-traditional students from community learning to accredited mainstream provision. AI work with a diverse group of socially excluded people including ex-offenders, people with drug and alcohol difficulties, young people leaving care and homeless people.

AI supports excluded people to move into education and on to employment across the South East of Scotland and Glasgow through the creation and development of new education and training programmes. They also work closely with employers to provide work experience placements. Their services are free and courses are deliberately designed to be less than 16 hours so that benefits are not affected. The project's aim is to help vulnerable groups attain qualifications, skills development and employment as well as soft outcomes such as accommodation, relationships, health and reduced offending.

### 2. Delivery

AI operates through three areas of work; course development and the 'Transition' and 'Passport' projects.

#### 2.1 Course development

AI works with education and training providers to design courses that prepare learners for FE study and/or employment. The distinctive nature of this provision is that all courses are designed to meet the needs of the participants at an Access Level and always offer a progression route to FE/HE or employment. Therefore they are timetabled to coincide with opportunities for further study. Courses vary in length and include care, game design, the creative industries and sport and fitness, and place a strong emphasis on meeting employers' skills needs.

The offer to colleges is the recruitment of the participants and ongoing support on the courses to ensure learner retention. The AI course development officer provides weekly tutorials as part of the course. This provision has been successful: during the period from 1 April 2008 to 31 August 2009, 159 out of 221 enrolled unemployed students successfully completed courses, with 145 progressing to advanced FE/HE, employment, or other training.

#### 2.2 The 'Transition' Project

The distinctive nature of this provision is that courses are 'roll-on roll-off' in that they do not adhere to academic years or calendars and instead operate on a purely demand-led basis. In order to shield the college from risk, learners are not registered until their first qualification is achieved – this allows the college to be flexible.

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<sup>62</sup> For further information and contact details please see: <http://www.accesstoindustry.co.uk/>

Transition was set up in 2003 to look at the education needs of recovering substance users – some are abstinent but many are still on substitute medication. It provides a structured programme of accredited learning and is funded from the Big Lottery Fund.

Transition operates as a 'mini college' on a rolling basis and offers Scottish Qualifications Authority (SQA) qualifications that include IT skills, communication skills, creative writing, job seeking skills, problem solving, working with others and personal effectiveness. Whilst college tutors provide the daily accredited learning programme, Transition staff provide one-to-one support to identify and find solutions to the other real and perceived barriers to moving on – relationships, childcare, accommodation, health – by linking them up with other services.

The courses are structured as 10 sessions a week and clients attend for a minimum of six sessions. Work placements are usually set for two weeks. Some students move quickly, taking about four – six months, while others stay longer and can take up to eight months. Clients who take longer than eight months are signposted to other services.

There are small incentives provided to students – bus fares, lunch vouchers and mobile phone vouchers for completion of employability training activity. Work placements and employability training opportunities and other core employability skills like mock interviews are also provided in partnership with private sector organisations.

The programme is based on employment contract principles – students have to agree to a personalised timetable, phone in if they are going to be late or off sick, and are allowed a limited number of days off sick and time off for evidenced appointments. AI believes that high expectations of and aspirations for their clients are a key part of their offer and its success.

### **2.3 The 'Passport' Project**

Passport is an accredited one-to-one employability programme that provides support for people getting out of care, prison, substance misuse, homelessness or street sex work. It was set up in 2006 and was influenced by a pilot community project that AI set up in Polmont Young Offenders Institute. This was designed to attract young offenders being released to Transition and to close the gap in provision available for young people in this situation. The success of the pilot Polmont project is being expanded in 2010 to include Glasgow releases. The Passport programme is funded from the Fairer Scotland Fund via The Capital City Partnership on an annual rolling contract.

Clients are offered opportunities through SQA qualifications, training and structured work placements to motivate and assist them to move on to further education and employment. Courses are delivered by AI staff and accreditation is through local colleges. Clients are provided with support and flexibility by setting realistic and attainable goals at the beginning of their course.

### 3. Service uniqueness and success factors

AI's service is unique in the way they engage with the hardest-to-help clients and because of the rolling nature of provision. There are some real advantages to rolling provision beyond the obvious that it suits the needs of the learners. Classes can vary significantly in size from day to day – each day there might be anything from 10 to 25 people in a class, each of whom is at a different stage in their course. This presents challenges in that the teachers have to be flexible enough to cope with this, but the real advantage is that there are strong peer-to-peer effects. New arrivals to the course, who are perhaps unsure or unconfident, are instantly put in the same room as people who were in the same position as they were several weeks or months previously. New starters can straight away see a pathway for progressing through the course mapped out by their learner peers. Furthermore, this can result in informal mentoring between learners at different stages.

Engagement is achieved through outreach, partnership agencies and self referral. Forty per cent of referrals are 'self' and the fact that AI has 100 per cent voluntary attendance to their courses and that hard-to-reach people actually engage and achieve is testament to the investment of their staff. The provision is resource intensive in terms of staff time as a case manager works with each client throughout the process and beyond. In the case of the Polmont project they work with offenders between three and six months before release and the proportion of these engagements which translate into starts on provision upon release is 86 per cent.

AI's approach to success:

- Time – it can take four months to two years to move someone along their journey and on to a positive destination.
- Providers and their partners must have high expectations of, and ambitions for, their clients.
- Structure – programmes must be structured and consistent.
- Individuals must have a consistent case worker to deal with at all times.
- Flexibility – whilst the programme is structured, the delivery must be personalised for each individual and supportive to their 'additional' needs.
- Individual tailored support packages must be provided throughout.
- Roll-on roll-off – every programme must have the ability to start when the individual refers and allow for roll-on roll-off. This allows for relapse and re-engagement.
- In the case of substance abuse, employability must be part of the treatment process.

- Tangible results – the participant must see ‘milestone’ results in their progress and recovery journey towards the end goal of employment.
- After care – the support and input from the programme must remain with the student for six months to a year from the moving-on point.
- ‘Before care’ – In the case of offenders, engaging while still in custody is vital and the support activities must be offered consistently both on the inside and on release.

#### 4. Funding and resources

AI receives funding from a series of different organisations. Course development is funded from the Scottish Funding Council via the South East Forum on a two-year rolling contract with the current funding due to end in July 2010. Transition is funded from The Big Lottery on a four-year contract which is due to end in December 2010. The Passport project is funded from the Fairer Scotland Fund via The Capital City Partnership again on an annual rolling contract which was due to end in March 2010 with early indication of a further year being granted. Further roll-out of the Polmont young offenders project will be funded by The Robertson Trust from January 2010 for three years.

Other smaller elements are discretely funded on an annual basis for specific projects.

#### 5. Outcomes

AI has been very successful in delivering to a variety of hard-to-reach socially excluded groups. Through its course development work between 1 August 2008 and 31 July 2009, 221 people have started courses, 159 have completed and 145 have gone on to FE, HE, employment or other training. Passport, which focuses on those leaving care, prison, homelessness and street sex work had 445 starts, 163 qualifications achieved, 98 employability completions, 51 entering work and 81 entering FE. Transition, which focuses on substance users, had 224 starts, 307 qualification achievements, 40 gaining work and 56 entering FE.

## Off the streets and into work<sup>63</sup>

### 1. Background

Off the Streets and into Work (OSW) is a registered charity that tackles homelessness by empowering individuals to access education, training, volunteering and employment opportunities and to move into their own accommodation in the private rented sector. They provide a range of direct services to help homeless people into employment or training, based around a personalised and aspirational job coaching model. OSW works with a variety of other specialist agencies who deliver co-ordinated services as part of their programme.

Most of OSW's services are based in London. They are increasingly operating in other parts of England and are currently rolling out their social enterprise project, the Ethical Enterprise and Employment Network (3xE) across the country. Additionally, their Welfare Influencing and Lobbying: Learning Opportunities and Work (WILLOW Project) is now operating across all nine English regions to lobby and campaign on behalf of smaller and specialist agencies supporting homeless people through the welfare-to-work agendas.

### 2. Overview of the Transitional Spaces Project (TSP)

TSP offers single homeless people living in hostel accommodation in London or Newcastle a unique support package to gain skills and confidence to access the labour market and the private rented sector. The project is funded by HM Treasury's Invest to Save Budget and sponsored by the Department for Communities and Local Government (CLG) with additional funding from the London Housing Foundation (LHF).

TSP aims to tackle homelessness and worklessness through linking access to sustainable employment to access to sustainable accommodation in the private rented sector. The project aims to tackle the problem of 'silt-up' in hostels and supported accommodation, whereby a lack of adequate supply of move-on housing results in a build-up of people in hostel accommodation who no longer need the intensive support provided but are nevertheless trapped in the system. The private rented sector is the only viable move-on route for the majority of OSW's clients who tend to be single men with no children or attachment to the area and who would therefore not score highly in terms of need for social housing. The project also supports a wide range of individuals beyond those with low or no support needs, in particular high-risk ex-offenders with significant histories of the criminal justice system.

The project is being delivered in two UK regional centres, one in London and one in Tyneside, with the latter being delivered through a franchise arrangement with Tyneside Cyrenians. The two pilots were originally to run from 1 October 2006 to 31 October 2009, but were rolled forward to March 2010.

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<sup>63</sup> For further information and contact details please see <http://www.osw.org.uk/>. However OSW has recently merged with Crisis, the national charity for single homeless people, and information may be available on the Crisis website <http://www.crisis.org.uk/>

### 3. 'Work first' model

Individuals are offered a range of motivational support including job search, CV preparation, interview skills, mentoring, training, financial literacy and budgeting, and are encouraged to think about their long-term career aspirations. There is also a dedicated property coach working with clients to source suitable and affordable private rented sector accommodation. Individuals are supported for up to six months after they have found a job and are settled in their own home. To ease the transition between unemployment and employment and between homelessness and housing, clients are eligible for a total of up to £1,800 in grants over a staged period providing certain criteria are met.

OSW's typical employment service model incorporates the following stages, depending on the outcome of the client's needs assessment and action plan:

**Stage 1: Engagement** – Engagement is achieved through an active process of outreach, drop-in surgeries and referral to engage clients who are not in contact with traditional access routes.

**Stage 2: Needs assessment** – A comprehensive process conducted by job coaches covers physical and mental health, literacy, numeracy, and English for Speakers of Other Languages' (ESOL) needs, drug and alcohol support needs, as well as labour market discrimination due to race, religion, disability, offending history or housing status. This stage incorporates a thorough financial capability assessment, a better-off calculation to demonstrate the financial benefit of work, and the first of three progressive assessments using OSW's soft outcome measurement tool, The Employability Map. This is the only distance travelled measure available that is focussed on employment.

**Stage 3: Individual action planning** – A joint assessment/agreement and flexible planning that incorporates an agreement for ongoing coaching throughout Stages 4 – 6 will be negotiated and agreed between the client and their coach.

**Stage 4: Support phase** – Tailored and flexible support is delivered through regular coaching sessions to address a client's personal, social and motivational needs, and includes internal delivery of GOALS<sup>64</sup> motivational training. Where necessary, referral arrangements have been established with external providers.

**Stage 5: Labour market preparation** – Continued job coaching, job search skills, CV development, interview techniques, benefit and debt advice and better-off calculations using OSW's Into Work calculator. Plus, practical labour market experience through work placements and volunteering. When job ready, clients are coached to find work themselves, or through referral to Prospect-us, a specialist recruitment agency. The project was relatively fast paced for clients, four – five months is the average length of time it took to find a job during the recession, although it was much quicker pre-recession.

<sup>64</sup> GOALS is a motivational training programme, for more information see <http://goalsuk.com/>

**Stage 6: In-work support** – Ongoing coaching for a minimum of six months post employment. Includes in-work financial and benefits advice, in-work skills for job progression and wage growth, mediation with employers and mentoring, and the development of peer social and career networks. Following this, if the job is working out well then the client will be supported to find accommodation in the private rented sector.

#### 4. Funding and resources

In 2006, OSW was awarded a total of £2.1m from HM Treasury's Invest to Save Budget to deliver the TSP. The project sponsor for the Invest to Save money is CLG. The LHF awarded the project an additional £460,000 with further contributions towards costs 'in kind' being made by DWP to cover the team's accommodation costs.

OSW has secured funding from various charitable trusts including Haberdashers and the Henry Smith Foundation to develop their work with ex-offenders and has also submitted funding applications to various other trusts and foundations. They have received a small grant from the Abbey Charitable Trust to develop the materials for the TSP Money Matters workshops.

#### 5. Service uniqueness and success factors

What makes TSP special and different from other conventional resettlement models is that it is a 'work first' model of resettlement. It has a very professional approach and has high expectations of participants. The TSP range of expertise includes coaching clients to set and achieve personal goals, the provision of in-work benefits advice, one-to-one and group work to develop individual financial capability, knowledge of recruitment, training and labour market opportunities and supporting people to achieve sustainable employment.

Clients are coached to prepare for and find an affordable home in the private rented sector and receive ongoing support to ensure the tenancy is sustained. This does not run concurrently to the in-work support – customers are encouraged to get a job first and support to get into private rented sector will follow after three months or so in work.

The distinctive elements of the programme that makes it unique and different from other programmes are:

- A highly aspirational coaching model that is focused on solution and future possibilities, rather than the barriers that people have faced in the past.
- GOALS motivational training sessions.
- Accurate and timely financial assessments and 'Money Matters' workshops.
- Property coaching that ensures the continuity of progress to best maximise the sustainability of the private rented sector as a viable move-on option for people living in hostels.
- Private rented sector social events that bring together clients, landlords and letting agents.
- A flexible, holistic service that treats everyone as an individual.
- A service that works well for people furthest away from the labour market, as well as for those that have only recently become unemployed.
- A service that allows and encourages clients to develop the skills sets to find employment and a home with a private landlord for themselves.

## 6. Outcomes/achievements

The TSP project has received more than 1,200 referrals from supported accommodation projects and probation services so far. Out of 643 hostel residents supported by the project; up to December 2009: 180 people have achieved an employment outcome; 125 people have moved into the private rented sector; 46 have moved into social housing; and six people have returned to live with their friends or family.

Recent research conducted by OSW amongst ex-offenders found that in 2008-2009:

- 40 per cent of people registered onto the scheme had a criminal record, 30 per cent of whom moved into their own home.
- Only 23 per cent of those with a criminal record had a job at the start of the programme and after participation, 33 per cent had a job, a 10 percentage point rise.
- 25 per cent of TSP participants with a criminal record had moved on to their own accommodation by June 2009. This compared, for instance, to 8.4 per cent of the participants in the seven Resettlement Pathfinders (2003), as part of the Government's Crime Reduction Programme.



- 14 per cent of ex-prisoners moved on to private rented accommodation. This increased to around 30 per cent for those clients that had serious offences.
- 21 per cent of those with a criminal record moved into work, and 16 per cent of those with a serious offending history moved into work.

For ex-offenders who moved into work having joined the programme, average earnings were substantially higher than for those ex-offenders who were working at the time they joined TSP. This means that those coached into work either had better paid jobs or jobs with more hours than those in work at the start.

Findings from the qualitative interviews held indicated that job and housing outcomes were valued by staff and clients as the most tangible. However, a range of softer outcomes were reported and denoted the progress and impact that TSP delivered on other areas. These included: improved confidence, self-esteem and motivation; increasing independence; and improved skills for life.

A further dimension to the TSP is its further aim to save public funds, hence the funding award from the Treasury's 'Invest to Save' budget. As providing hostel care is very expensive, any programme that helps people into non-public housing and employment is liable to save public funds even if the programme itself is expensive. The recently published evaluation of Transitional Spaces notes that *'Over the four years, the saving to government per participant in TSP was £2,480, after project costs. This equates to TSP saving the Government £1,584,788 in total'*. The evaluation also estimates that the savings from Supporting People (the mainstream budget for homeless hostels) alone were enough to cover 91 per cent of the cost of the TSP.

## Employment routes

### 1. Background

The Employment Routes programme is an ILM programme that has been operating since 2004 in Blaenau Gwent in Wales. Employment Routes is one strand of the 'JobMatch' programme that covers the Head of the Valleys' City Strategy area. The programme is based on the WCVA (Wales Council for Voluntary Action) ILM model, which aims to reduce economic inactivity in North and East Wales by investing in organisations to provide work experience and training for people facing barriers to employment.

The main aim of the Employment Routes programme is to promote inclusion for all economically inactive members of society, support the growth of social enterprise and service all communities.

### 2. Programme overview

The Employment Routes programme works by offering economically inactive and unemployed people a subsidised employment placement of between 3 and 11 months during which time all training required in moving them into unsubsidised employment is provided. The length of the programme is based on the time it takes a person to gain a nationally recognised qualification, usually at NVQ Level 2. Choice of qualifications is determined with the host employer to ensure they are industry relevant. The project is heavily demand-led in that it is reliant on understanding employers' needs in order to establish subsidised placements as well as to achieve progression into sustainable unsubsidised employment.

The client base includes any inactive person from the Heads of the Valleys areas between the age of 16 and 64 who is experiencing significant barriers to employment. Employment Routes uses a 'reverse cherry-picking' approach to make sure they are working with the hardest to help. The client base is roughly 50/50 split between JSA claimants and other benefit recipients, and there are targets for lone parents, those claiming disability benefits, long-term unemployed and the over 50s.

### 3. The 'Employment Routes' model

The programme is broken down into various phases:

**Stage 1: Assessment phase** – The assessment phase is a two-week period of non-paid training and development courses, which are designed to assess a client's suitability to the Employment Routes programme and where and how they might be employed. It is at this stage that engagement with the client starts, with a focus on personalisation (identifying needs and shaping provision appropriately) and establishing eligibility. During this stage, clients will be offered confidence-building training, sectoral taster sessions and better-off benefit calculations to ensure that they are not disadvantaged as a result of undertaking training.

Depending on their skill and ability levels, they will then be included on the full-length programme or a shortened course. The shortened course would usually be half the length of the full course and would be for those who are ready to progress on to unsupported employment sooner than others. In the case of the shortened course, the host employer will be obligated to have a real employment opportunity for the client to access following the supported employment period.

**Stage 2: Foundation training** – Those who successfully complete the assessment phase will move on to subsidised employment, during which time their official employer is the JobMatch project and they are paid the equivalent of the national minimum wage appropriate for their age. This phase usually lasts for approximately six weeks during which time clients would cover training relevant to their placement but would continue to work within a group. The training provision is mainly procured but in some instances is delivered by the Employment Routes team and Outreach team and will include personal presentation, communications skills, team building and sector-specific training. Although clients will have some introductory sessions with their host during this phase, they will not start working with the host employer until this part of the training is completed. Procured training tends to be industry standard and delivered by a mix of public and private providers. Procurement can be quite fragmented as the project is sometimes dealing with up to 10 training providers at once. This is because a lot of providers are not currently providing what Employment Routes need, which is in turn determined by the needs of employers. However, this situation is improving.

**Stage 3: Intermediate training** – The Intermediate training phase relates to the period of time when a client is on work placement with the host employer and working towards a nationally recognised qualification. The Employment Routes Delivery Manager can request the client attend any other bespoke training required while on work placement. The phase could take between eight and 42 weeks. The host employer will determine the role the client will undertake while management responsibilities will be shared between the host and JobMatch. JobMatch usually pays wages for the majority of the project, although host employers will be expected to contribute incrementally towards the wages in the later stages of the project.

While addressing barriers will start at the assessment phase, it is at this stage when the client is actually in work that some of the barriers become apparent. The programme uses mentors to support the client in resolving any problems/issues that may arise once they start work. The support from the mentors is continuous and done on a monthly informal basis. The support continues even after the subsidised placement has ended and the client has entered an unsubsidised work contract with the host employer.

Once the client has moved into unsubsidised employment, the employer can access up to £1,000 toward additional training for the participant. This further training will be determined by both the employer and employee.

#### **4. Funding and resources**

The programme is publicly funded from West Wales and the Valleys Convergence Operational Programme, the European Social Fund (ESF), DWP – Deprived Area Funding, New Deal and the Welsh Assembly Government via the Heads of Valley programme. It also receives funding in-kind from Working Links.

#### **5. Service uniqueness and success factors**

The real-life work experience element of the programme, the tailored training packages and the fact that the programme allows employers to get involved in the design of the project makes it successful. While the main focus of the programme is the individual, they also take into account other key areas – businesses and the local community. They develop programmes with partner organisations by looking into what the market looks like realistically and tailoring their services accordingly while making sure that individual's expectations are managed in line with the industry needs.

#### **6. Outcomes**

Seventy-five per cent of those who participate in the programme move into unsubsidised work after the funded element of the project. Each participant may gain in excess of five nationally recognised qualifications in addition to non-accredited and other forms of training provided by the programme. However, some participants drop out as some find even the supported environment of the programme difficult to maintain. The project has a target of 1,400 job entries which contributes to the overall JobMatch targets of 10,000 into work over five local authority areas, over a five-year period.

While the cost of delivering Employment Routes is above average for welfare-to-work programmes, the success rate is far higher at 75 per cent and the overall cost per head for the Job Match programme is about £3,500 per head.

## Work Solutions<sup>65</sup>

### 1. Background

Work Solutions is a supported employment project within Hertfordshire County Council Adult Care Services. It supports client groups with a disability, resident in Hertfordshire, to access sustainable employment in the open labour market. Work Solutions is comprised of several welfare-to-work initiatives which were amalgamated in 2006 to bring about greater cohesion, efficiencies and synergy. Based in two locations in Hertfordshire, it employs 34 staff to cover the whole county and receives an average of 800 referrals per year.

Their client base consists of people with learning disabilities, physical and sensory disabilities and mental ill-health. They receive referrals from Community Learning Disability and Community Mental Health Teams, Older People and Physical Disability Teams, Connexions and a number of other external agencies, including Jobcentre Plus.

### 2. Programme overview

Clients start their journey by going on the Work Skills Programme (WSP), a comprehensive eight-week course delivered in-house by Work Solutions' staff. The course is designed to help clients with confidence building, benefit issues, CV building, interview skills, and identifying individual ambitions, motivation and career choices.

All Work Solutions clients start with WSP except individuals with learning disabilities who are receive one-to-one personalised support from an employment advisor from the outset. Those who are finishing WSP are then allocated an employment advisor and receive one-to-one personalised support with wider input through client networks, employer engagement and short-term 'work tasters'.

Work Solutions believe that 'work tasters' are an important element of employment support as it is at this stage that they can make accurate assessment of the individuals' suitability to the job. The 'job tasters' allow greater understanding of job roles, environments, work ethos and physical demands. They enable the client and adviser to gain greater insight into the capabilities and support needs of the individual and ensure more effective and appropriate job matching and support required. They also build confidence for both client and employer, add valuable experience to CVs and demonstrate commitment and motivation. They can also be used as working interviews to help dispel myths and stereotypes surrounding disabilities and overcome the barriers faced by clients in the recruitment process.

Once the clients are supported into a role, they will then be handed over to a 'job coach' who provides continuous work assessment and in-work support. Job coaches provide continuous support for both client and employer for as long as required, enabling clients to maintain employment.

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<sup>65</sup> For more information and contact details, see <http://www.hertsdirect.org/caresupport/worksolns/>

### **3. Service uniqueness and success factors**

Work Solutions is a non-statutory service and is wholly funded by local authority funding. This allows the project to provide a dedicated, focused service and allows them the flexibility to remain loyal to their client groups rather than spending resources chasing funding. They believe that multiple funding streams may lead to fragmentation with their own demands/requirements and detract from the original purpose of the project.

The personalised nature of the programme and continuing support provided to clients and employers once in work makes it effective in helping clients enter and remain in employment. Helping individuals to maintain their health, economic, social wellbeing takes some of the pressure off other services such as day centre provision, health care and social services.

### **4. Outcomes**

The programme receives approximately 800 referrals per year. With an average, active caseload of 400 spread across 24 employment advisers and four job coaches, they deliver approximately 140 employment outcomes per year and are currently supporting 270 clients and their employers to sustain their jobs.

### **5. Funding and resources**

As has been noted, Work Solutions receives local authority core funding and there are no external, contractual targets. However, in the past, they have led for Hertfordshire County Council (HCC) on employment targets for lone parents and people with disabilities, as part of Round 1 of the Local Area Agreements (2006-2009) by meeting the lone parent target and obtaining over £850,000 of LAA1 Reward Money for HCC and partners. Internal targets are set in order to demonstrate accountability, success, cost effectiveness and value for money.

## Case study findings and conclusions

These case studies illustrate successful work with socially excluded groups in achieving employment and skills outcomes, and there are numerous other examples of work delivered by other voluntary groups, local authorities, private providers and FE colleges. So this raises the question – what’s the problem? This section outlines the numerous traps and pitfalls associated with delivering to these groups. All of these issues can be considered under the two broad headings of ‘funding’ and ‘partnership working’.

### Funding

- **Creaming and parking** – The extra costs of delivering to socially excluded groups are not recognised and case study organisations expressed concern about the risks of creaming and parking whereby current procurement arrangements incentivise working with the easiest to help. The case study organisations frequently found themselves competing (for funding) with organisations that were not committed to delivering to the hardest to help. All case study organisations prided themselves on working with people that many other providers perhaps would not.
- **Lack of recognition of the benefits of delivery** – The employment and skills-funding systems do not recognise the benefits in terms of savings to other parts of the public sector when employment and skills outcomes are achieved. Case study organisations cited examples of reduced re-offending, improved health, reduced benefit spend and reduced need for day care services etc.
- In particular, OSW presented evidence which showed that the average cost of a single man remaining in hostel accommodation for a year while on Income Support with a disability premium is about £30,000<sup>66</sup>. This contrasts with the resources put into welfare-to-work where, for example, approximately £1,530 is the assumed unit cost per start on the Flexible New Deal<sup>67</sup>. This is one example of how the higher costs of helping socially excluded groups may be more than offset by the savings in other services. The recently published evaluation of Transitional Spaces notes that ‘*Over the four years, the saving to government per participant in TSP was £2,480, after project costs. This equates to TSP saving the Government £1,584,788 in total*’. The evaluation also estimates that the savings from Supporting People (the mainstream budget for homeless hostels) alone were enough to cover 91 per cent of the cost of the TSP.

<sup>66</sup> *The Right Deal for Homeless People* – OSW and TMD London (2008). Available from: [http://www.osw.org.uk/librarydocs/Right\\_Deal\\_Report.pdf](http://www.osw.org.uk/librarydocs/Right_Deal_Report.pdf)

<sup>67</sup> *DWP’s Commissioning Strategy and the Flexible New Deal* – Work and Pensions Select Committee 25.

- **Multiple funding streams** – In most cases the complete offer to the individual was only possible through multiple funding sources, so, for example, the initial support and advice offer would be from one funder, training from another and in-work support from another. This presents problems when linked with the issue of time, whereby funding sources are not scheduled to start or end at the same time and so the complete offer was not always available. Furthermore, having multiple funding streams increases transaction costs.
- **Short term funding** – In all cases funds were time limited and in many cases very short-term such as two to three years. The exception to this is the local authority project which is funded predominantly from mainstream social care budgets – however, this does not mean that there is no pressure on its budget.
- **Staff turnover** – Furthermore, the preponderance of short-term funding means that it is difficult to offer staff good job security or competitive salaries, and so turnover is an issue. As has been noted, one of the key success criteria for this sort of work is the quality and commitment of the staff, these projects are resource intensive and staff are often working with large caseloads. It is very difficult to recruit and retain good staff when there are no additional incentives and the constant threat of the project ending.
- **Restrictive payment mechanisms** – In some cases payments from funders were slow and processes cumbersome. Furthermore, lack of flexibility was often cited whereby the end of the financial year can result in protracted negotiations over under-spend and over-spend.
- **Rewarding performance** – Funding and target mechanisms tend to incentivise an exact level of performance, for example 200 course starts in a year. However, while performance under the agreed target is understandably rebuked, there is not a likewise reward for over-achieving.
- **Resource intensive bidding** – The case study research found frequent references to the huge resources in terms of time and effort that went into constantly bidding and competing for funding which would be far better spent on delivering the services to individuals.
- **The prime contract model** – Case study organisations cited the risks of smaller providers being excluded from employment and skills contracts as procurement moves to a prime contract model that favours larger providers. In particular, the DWP's commissioning model was cited and although this is designed for prime contractors to develop effective relationships with small specialist providers and to take a long-term view by investing in the quality and sustainability of delivery, evidence suggests this is happening in haphazard fashion, with many small and specialist providers being overlooked, or feeling unable to compete in favour of large, high-volume sub-contractors. This is particularly evident within ESF sub-contracting arrangements, as ESF has traditionally provided the only alternative to mainstream services that fail to meet the needs of marginalised communities and the providers that support them.



## Partnership working

All case study organisations cited partnership working as a strength of their work and also stated that they were reliant on it to a large extent, firstly in order to secure appropriate referrals and secondly to make sure they could offer an holistic service by being able to refer onwards as well. Examples of partnership working include working with FE providers, local authorities, housing providers, probation services, health services, adult social care, homeless hostels, drug and alcohol treatment services and so on, and broadly relationships were good and a large reason for the success of the project. However, some areas for improvement were cited. These included:

- **Sharing information** – There are numerous restrictions to sharing information about individual clients between different agencies, even when they are working towards the same aim. This is a particular barrier to making sure that an individual gets the most support from the services available.
- **Differing targets and procedures** – Local partners often work together well but are hindered by differing target systems and procedures. For example, those who manage adult social care or housing budgets have to meet their own targets and concerns around employment and skills may be secondary.
- **Lack of matching timetables** – Access to Industry cited roll-on roll-off provision as vital to providing a service to their clients. But in order to offer a comprehensive service, i.e. one that allows the employment and skills provision to work in tandem with other services, such as drug treatment, other services must also be similarly flexible. However, throughout the case studies, mismatched timetables were cited as an issue.
- **Differing, attitudes and expectations** – The case studies set out the importance of working with other parts of the public sector, particularly health, housing and criminal justice. However, while there were overall good relationships between different partners that have improved in recent times, there is still room for improvement. In some cases the case study organisations had been accused of ‘setting people up to fail’ by organisations that did not believe that an employment or skill outcome is an appropriate goal for their clients. The case study organisations were aware of the need to balance realism with aspiration but thought it very important that the system have high expectations for people – without this they are unlikely to achieve anything. Indeed, the idea of learning to deal with failure and develop resilience is the key to success for some individuals.

## 4. Conclusions

In October 2009 the UK Commission launched *Skills, Jobs, Growth*<sup>68</sup>. This is the Commission's advice to Government on how best to transform the trajectory of the UK skills system. The report contained a variety of recommendations but the three overarching principle are to make sure that:

1. Providers' success is defined and measured in terms of the outcomes from their provision (progression in learning or work, wage gain, learning achievement, customer satisfaction and quality) and their responsiveness to their community's labour market needs.
2. Learner are empowered with real customer choice, support to access skills and learning when they need them, and the capacity to drive quality improvement in provision.
3. Providers are trusted and given more authority and autonomy to work in collaboration to better serve the needs of their community's labour market.

However, when looking at the first recommendation, measuring outcomes, the first section of this report finds that the evidence on the employment and skills outcomes for socially excluded groups is not comprehensive enough to make a full national assessment, let alone look at the contribution of individual providers. This is especially the case for measuring change over time as many of the employment and skills outcomes noted in this paper are sourced from one-off studies. This lack of evidence means that not only is it difficult to measure improvements or change in the outcomes for these groups, it is also extremely difficult to find evidence as to whether they fall victim to parking or creaming.

The second chapter concluded that there are a variety of ways in which the system attempts to mitigate creaming and parking, and that these vary significantly between employment and skills policy, but the evidence suggests that the incentives to cream and park remain. However, it needs to be re-iterated that this is not the same as concluding that providers in the employment and skills system engage in this kind of activity because, as has just been noted, the evidence is insufficient to conclude either way. Whether and to what extent creaming and parking actually occurs can only be speculated upon with the current evidence.

If providers' success is to be defined and measured in terms of outcomes then there is a need for far better evidence on the employment and skills outcomes of socially excluded groups and this evidence base must allow measurement over time. Currently the evidence does not allow an assessment of the outcomes for these groups in total, let alone for individual providers. Notwithstanding the issues surrounding the difficulties of gathering evidence of this kind, it is important that an outcome-led employment and skills system includes the outcomes for the socially excluded groups.

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<sup>68</sup> UK Commission for Employment and Skills, *Towards Ambition 2020: Skills, Jobs, Growth* (October 2009).

If this improvement in evidence can be achieved then this gives even greater scope to fulfil the third of the recommendations of *Skills, Jobs, Growth* – giving greater autonomy to providers. DWP commissioning has moved to a ‘black box’ approach and if this, combined with the proposed ‘accelerator’ model, is successful in incentivising working with the hardest to help, then a similar approach should be trialled with skills provision. The differences between employment and skills policy may present challenges in the context of an integrated system, but on the other hand the ‘accelerator’ model is an example of where learning can be exchanged.

The case studies illustrated a small number of examples of successful working with socially excluded groups. However, this chapter also uncovered a variety of barriers, including the fact that public funding in general does not recognise the savings that can be made in other parts of the public sector. The OSW case study highlights the example of helping homeless people into work which has clear net savings for Government even with high delivery costs because the costs of delivering hostel accommodation are so high. Likewise, a recent report by the Social Market Foundation<sup>69</sup> notes that the cost of re-offending is £60,000 per person, which again is far higher than the resources available for support into employment and training per person.

If a system can be developed that minimises deadweight and can accurately measure impacts against employment and skills outcomes along with other outcomes such as reduced re-offending, reduced use of adult day care services or reduced use of homeless hostels, then this would allow significant resources to be shifted towards employment and skills while achieving an overall reduction in public spending. If this were possible then it could also mitigate many of the other problems highlighted in the case study work such as short-term funding, reliance on multiple streams of funding and staff turnover. Furthermore, this system would necessarily involve the clarification of the impact of employment and skills delivery on other outcomes (offending, health, homelessness) and may therefore address some of the issues around partnership working, as this system would allow easier joint working through shared outcomes.

However, the management of funding across various policy areas does not easily allow for this kind of cross-working. For example, local authorities are responsible for the ‘Supporting People’ budget which delivers homelessness services. But in order for them to invest in employment and skills services that reduce the need for homeless services, they must be allowed to keep the savings that follow – currently they cannot.

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<sup>69</sup> *Prison Break: Tackling recidivism, reducing costs* – Social Market Foundation (2010)

## Notes

[illegible]

[illegible]

The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Our ambition is to benefit employers, individuals and government by advising how improved employment and skills systems can help the UK become a world-class leader in productivity, in employment and in having a fair and inclusive society: all this in the context of a fast-changing global economy.

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